



2017

Jewish Family & Children's Service



Financial Statements
with Independent Auditor's Report
December 31, 2017



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A MEASURABLE DIFFERENCE



Inspired by the Jewish tradition to make the world a better place, JF&CS helps and supports people in need to meet their challenges.



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Independent Auditor's Report

Board of Directors
Jewish Family & Children's Service
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Jewish Family & Children's Service ("JF&CS"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to JF&CS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JF&CS's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family & Children's Service as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brown Smith Wallace, LLP

St. Louis, Missouri

May 22, 2018

JEWISH FAMILY & CHILDREN'S SERVICE

Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 2,687,141	\$ 2,327,427
Accounts receivable, net	163,376	168,027
Prepaid expenses	3,258	-
Investments, at fair value	5,937,305	4,990,714
Beneficial interest in perpetual trust	9,546	10,014
Unconditional promises to give	955,771	894,076
Property and equipment, net	3,443,552	3,551,986
TOTAL ASSETS	\$ 13,199,949	\$ 11,942,244
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 73,192	\$ 108,753
Accrued expenses	225,902	238,019
Homemaker deposits	529	319
Other liabilities	-	36,723
Deferred revenue	92,832	89,996
Advances due to unrelated parties	773,032	809,865
Total Liabilities	1,165,487	1,283,675
Net Assets		
Unrestricted	7,673,519	6,650,608
Temporarily restricted	2,748,506	2,441,121
Permanently restricted	1,612,437	1,566,840
Total Net Assets	12,034,462	10,658,569
TOTAL LIABILITIES AND NET ASSETS	\$ 13,199,949	\$ 11,942,244

The accompanying notes are an integral part of these financial statements.

JEWISH FAMILY & CHILDREN'S SERVICE

Statement of Activities

Year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 1,061,072	\$ 161,635	\$ 45,597	\$ 1,268,304
Special program grants and other	100,884	-	-	100,884
Foundation grant	517,527	-	-	517,527
Special event revenue, net of direct expenses of \$65,885	230,392	-	-	230,392
United Way of Greater St. Louis	-	716,356	-	716,356
Jewish Federation of St. Louis	585,562	206,728	-	792,290
Associated organizations	75,000	-	-	75,000
Fees for professional services rendered	1,709,218	-	-	1,709,218
Investment return, net	465,943	235,414	-	701,357
Other income	18,884	-	-	18,884
Net assets released from restrictions	1,012,748	(1,012,748)	-	-
TOTAL SUPPORT AND REVENUE	5,777,230	307,385	45,597	6,130,212
EXPENSES				
Program services:				
Counseling	1,684,944	-	-	1,684,944
Homemaker	550,319	-	-	550,319
Community Chaplaincy	167,668	-	-	167,668
Harvey Kornblum Jewish Food Pantry	903,556	-	-	903,556
Child Abuse Detection and Prevention	236,292	-	-	236,292
Children At Risk	169,312	-	-	169,312
Financial Assistance	282,195	-	-	282,195
Senior Services	234,607	-	-	234,607
Total program services	4,228,893	-	-	4,228,893
Supporting services:				
Management and general	261,741	-	-	261,741
Fundraising	263,685	-	-	263,685
Total supporting services	525,426	-	-	525,426
TOTAL EXPENSES	4,754,319	-	-	4,754,319
CHANGE IN NET ASSETS	1,022,911	307,385	45,597	1,375,893
Net assets, beginning of year	6,650,608	2,441,121	1,566,840	10,658,569
Net assets, end of year	\$ 7,673,519	\$ 2,748,506	\$ 1,612,437	\$ 12,034,462

The accompanying notes are an integral part of these financial statements.

JEWISH FAMILY & CHILDREN'S SERVICE

Statement of Activities

Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 712,828	\$ 198,288	\$ 34,231	\$ 945,347
Special program grants and other	93,840	-	-	93,840
Foundation grant	502,786	-	-	502,786
Special event revenue, net of direct expenses of \$30,879	182,315	-	-	182,315
United Way of Greater St. Louis	-	716,356	-	716,356
Jewish Federation of St. Louis	424,673	205,148	-	629,821
Associated organizations	75,000	-	-	75,000
Fees for professional services rendered	1,664,566	-	-	1,664,566
Investment return, net	167,192	84,750	-	251,942
Other income	15,779	-	-	15,779
Net assets released from restrictions	1,907,177	(1,907,177)	-	-
TOTAL SUPPORT AND REVENUE	5,746,156	(702,635)	34,231	5,077,752
EXPENSES				
Program services:				
Counseling	1,748,112	-	-	1,748,112
Homemaker	496,786	-	-	496,786
Community Chaplaincy	166,624	-	-	166,624
Harvey Kornblum Jewish Food Pantry	872,528	-	-	872,528
Child Abuse Detection and Prevention	191,153	-	-	191,153
Children At Risk	165,726	-	-	165,726
Financial Assistance	291,320	-	-	291,320
Senior Services	197,738	-	-	197,738
Total program services	4,129,987	-	-	4,129,987
Supporting services:				
Management and general	426,194	-	-	426,194
Fundraising	345,534	-	-	345,534
Total supporting services	771,728	-	-	771,728
TOTAL EXPENSES	4,901,715	-	-	4,901,715
CHANGE IN NET ASSETS	844,441	(702,635)	34,231	176,037
Net assets, beginning of year	5,806,167	3,143,756	1,532,609	10,482,532
Net assets, end of year	\$ 6,650,608	\$ 2,441,121	\$ 1,566,840	\$ 10,658,569

The accompanying notes are an integral part of these financial statements.

JEWISH FAMILY & CHILDREN'S SERVICE

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,375,893	\$ 176,037
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	159,762	165,201
Noncash donations	-	(41,427)
Provision for net present value on promises to give	21,291	(924)
Change in value of beneficial interest in trusts	468	-
Gain on disposal of assets	(2,369)	-
Change in allowance for promises to give	(37,384)	3,000
Realized/unrealized gain on investments	(697,147)	(240,609)
Changes in operating assets:		
Unconditional promises to give	(53,450)	131,726
Accounts receivables	4,651	69,975
Prepaid expenses	(3,258)	22,179
Changes in operating liabilities:		
Accounts payable	(35,561)	(21,957)
Accrued expenses	(12,117)	34,949
Homemaker deposits	210	(7,982)
Other liabilities	(36,723)	(4,013)
Deferred revenue	2,836	6,740
Advances due to unrelated parties	(36,833)	139,759
Net cash provided by operating activities	650,269	432,654
Cash flows from investing activities:		
Investment purchases	(1,193,232)	(1,954,802)
Proceeds from sale of investments	980,373	658,671
Reinvestment of interest and dividends	(36,585)	(37,023)
Property and equipment purchased	(52,399)	-
Net cash used in investing activities	(298,403)	(1,333,154)
Cash flows from financing activities:		
Cash collected on capital campaign pledges	7,848	702,528
Net cash provided by financing activities	7,848	702,528
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	359,714	(197,972)
Cash and cash equivalents, beginning of year	2,327,427	2,525,399
Cash and cash equivalents, end of year	\$ 2,687,141	\$ 2,327,427

The accompanying notes are an integral part of these financial statements.

JEWISH FAMILY & CHILDREN'S SERVICE

Statement of Functional Expenses

Year ended December 31, 2017

	Program Services									Supporting Services		Total Expenses
	Clinical Services			Food Pantry	Child Abuse Detection and Prevention	Children At Risk	Financial Assistance	Elderlink	Total	Management and General	Fund-raising	
	Homemaker	Chaplaincy										
Salaries	\$ 989,468	\$ 94,851	\$ 119,893	\$ 411,987	\$ 147,543	\$ 4,698	\$ 100,888	\$ 165,779	\$ 2,035,107	\$ 189,029	\$ 133,509	\$ 2,357,645
Contracted professionals	245,648	-	-	-	-	-	750	-	246,398	-	-	246,398
Benefits	113,010	17,132	9,699	77,176	24,290	538	18,783	25,676	286,304	26,133	17,892	330,329
Taxes	72,296	6,931	8,760	30,115	10,763	343	7,376	12,115	148,699	13,845	9,781	172,325
Total salaries and related expenses	1,420,422	118,914	138,352	519,278	182,596	5,579	127,797	203,570	2,716,508	229,007	161,182	3,106,697
Assistance to individuals	-	-	-	121,787	-	-	132,197	-	253,984	-	-	253,984
Dues	4,595	408	1,218	2,904	995	10	500	631	11,261	556	2,146	13,963
Equipment (maintenance / lease)	-	-	-	24,976	-	34	-	-	25,010	6,391	-	31,401
Insurance	8,350	799	1,062	9,291	1,942	19	979	1,235	23,677	1,107	1,139	25,923
Volunteers	-	-	508	5,112	-	-	-	-	5,620	121	-	5,741
Meetings	1,752	102	204	1,184	498	4	188	426	4,358	213	1,580	6,151
Miscellaneous	258	75	16	147	96	-	82	140	814	17	17	848
Occupancy	102,401	8,678	8,261	96,291	10,182	144	9,165	10,962	246,084	12,599	17,721	276,404
Office expense	34,875	2,737	4,138	15,063	5,639	9,650	3,027	3,571	78,700	1,905	14,054	94,659
Postage and shipping	1,173	189	156	931	342	2	120	256	3,169	138	3,404	6,711
Printing/publications	1,546	78	230	2,987	921	10	160	822	6,754	108	4,251	11,113
Professional fees	17,047	410,076	2,152	16,886	3,934	153,754	1,982	3,534	609,365	2,242	49,356	660,963
Professional development	2,327	84	215	1,866	813	3	694	2,528	8,530	112	968	9,610
Supplies	32,588	-	1,554	15,387	13,764	-	-	62	63,355	-	232	63,587
Travel - local	4,950	2,051	5,107	1,974	9,030	6	318	1,166	24,602	360	414	25,375
Bad debt	22	1,405	-	-	-	-	-	-	1,427	-	-	1,427
Total expenses before depreciation	1,632,306	545,596	163,173	836,064	230,752	169,215	277,208	228,903	4,083,217	254,876	256,464	4,594,557
Depreciation	52,638	4,723	4,495	67,492	5,540	97	4,987	5,704	145,676	6,865	7,221	159,762
Total expenses	\$ 1,684,944	\$ 550,319	\$ 167,668	\$ 903,556	\$ 236,292	\$ 169,312	\$ 282,195	\$ 234,607	\$ 4,228,893	\$ 261,741	\$ 263,685	\$ 4,754,319

The accompanying notes are an integral part of these financial statements.

JEWISH FAMILY & CHILDREN'S SERVICE

Statement of Functional Expenses

Year ended December 31, 2016

	Program Services									Supporting Services		
	Clinical			Food	Child Abuse	Children	Financial		Total	Management and General	Fund- raising	Total Expenses
	Services	Homemaker	Chaplaincy	Pantry	Detection and Prevention	At Risk	Assistance	Elderlink				
Salaries	\$ 967,259	\$ 73,905	\$ 123,718	\$ 376,005	\$ 112,016	\$ -	\$ 111,396	\$ 132,235	\$ 1,896,534	\$ 296,420	\$ 154,939	\$ 2,347,893
Contracted professionals	245,084	-	-	-	-	-	7,875	-	252,959	-	-	252,959
Benefits	137,268	13,632	12,054	86,340	23,501	-	15,575	25,034	313,404	58,937	21,625	393,966
Taxes	70,497	5,387	9,016	27,424	8,140	-	8,130	9,647	138,241	21,749	11,294	171,284
Total salaries and related expenses	1,420,108	92,924	144,788	489,769	143,657	-	142,976	166,916	2,601,138	377,106	187,858	3,166,102
Assistance to individuals	-	-	-	116,865	-	-	134,269	-	251,134	-	-	251,134
Dues	628	49	631	331	98	-	65	69	1,871	117	985	2,973
Equipment (maintenance / lease)	-	-	-	38,724	-	-	-	-	38,724	4,792	-	43,516
Insurance	8,901	700	880	8,003	1,386	-	926	976	21,772	1,660	1,405	24,837
Interest	-	-	494	3,765	-	-	-	-	4,259	94	-	4,353
Meetings	2,717	200	941	2,229	433	-	275	463	7,258	492	4,521	12,271
Miscellaneous	184	69	5	93	173	-	5	204	733	10	41	784
Occupancy	115,631	7,203	4,542	94,698	8,716	-	4,455	8,023	243,268	20,794	19,287	283,349
Office expense	29,113	1,650	2,477	12,215	4,151	10,923	1,886	5,082	67,497	2,714	12,310	82,521
Postage and shipping	1,372	104	131	683	219	-	138	179	2,826	247	4,458	7,531
Printing/publications	1,519	42	219	1,619	400	-	109	122	4,030	144	8,274	12,448
Professional fees	85,843	386,489	3,009	17,703	4,740	151,586	3,217	8,110	660,697	5,676	95,277	761,650
Professional development	4,693	335	405	3,627	737	-	433	450	10,680	723	1,058	12,461
Supplies	13,579	-	866	13,332	14,379	-	-	2,162	44,318	-	200	44,518
Travel - local	2,956	1,095	4,987	3,197	7,277	3,217	120	802	23,651	205	240	24,096
Bad debt	-	1,970	-	-	-	-	-	-	1,970	-	-	1,970
Total expenses before depreciation	1,687,244	492,830	164,375	806,853	186,366	165,726	288,874	193,558	3,985,826	414,774	335,914	4,736,514
Depreciation	60,868	3,956	2,249	65,675	4,787	-	2,446	4,180	144,161	11,420	9,620	165,201
Total expenses	\$ 1,748,112	\$ 496,786	\$ 166,624	\$ 872,528	\$ 191,153	\$ 165,726	\$ 291,320	\$ 197,738	\$ 4,129,987	\$ 426,194	\$ 345,534	\$ 4,901,715

The accompanying notes are an integral part of these financial statements.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements

Year Ended December 31, 2017

Note A - Nature of Operations

Nature of Activities

Jewish Family & Children's Service ("JF&CS"), a not-for-profit corporation serving the greater St. Louis metropolitan area, provides services on a nonsectarian basis to persons in need of: marriage, family, and child counseling, financial assistance, homemaker services for older adults, and food items to needy families. Counseling services are provided both in problem resolution and prevention modes. Programs include:

- Chaplaincy-spiritual support to enhance the quality of life of Jewish elderly living in out-of-home settings
- Child Abuse Detection and Prevention-early identification of children at risk of abuse and neglect, and education to provide children, parents, and teachers the skills to prevent or lessen harm in the instance of an abusive event
- Clinical Services-psychological interventions for individuals and families to resolve mental health problems
- ElderLink St. Louis-call center for resources for seniors
- Financial Assistance-financial assistance to prevent eviction and utility shutoff
- Harvey Kornblum Jewish Food Pantry-food for those with hunger insecurity
- Homemaker-services to help frail elderly and adults with special needs stay in their home and community
- Children at Risk – providing strategic consulting and technical assistance to child welfare agencies to keep children safe, strengthen the connections between children and their families, and improve children's long-term success. 2017 was the second full year of the program established by a Foundation and carried out by JF&CS (Note M).

JF&CS's revenue and support are derived primarily from government agencies and public contributions.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note B - Summary of Significant Accounting Policies

The following summary of significant accounting policies of Jewish Family & Children's Service is presented to assist in the understanding of JF&CS's financial statements. The financial statements and notes are representations of Jewish Family & Children's Service's management, who are responsible for their integrity and objectivity.

Basis of Accounting and Presentation

The financial statements have been prepared using the accrual basis of accounting. Additionally, financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958-205-05, *Not for Profit Entities* under which JF&CS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted as follows:

Unrestricted – Those resources over which the Board of Directors has discretionary control. Designated amounts represent those resources that the Board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor-imposed or time restrictions that will be satisfied by actions of JF&CS or the passage of time.

Permanently Restricted – Those resources subject to donor-imposed restrictions that will be maintained permanently by JF&CS.

Revenue Recognition

JF&CS recognizes contributions as support when they are received or unconditionally pledged. Amounts pledged are presented as unconditional promises to give and are stated at the net present value of the amount expected to be collected from outstanding balances. JF&CS provides for an estimated uncollectible amount based on historical experience and industry trends.

Fees for professional services rendered represents the estimated realizable amounts from patients and others for services rendered.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note B - Summary of Significant Accounting Policies (Continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. JF&CS's policy is to record restricted contributions as unrestricted if the restriction is met within the reporting period.

Unconditional promises to give cash and other assets are accrued at their estimated fair value at the date each promise is received. Gifts are reported as temporarily or permanently restricted support if they are received with a donor's stipulation that limits the use of the donated assets. When a donor's restriction is satisfied, temporarily restricted net assets are released and reported as an increase in unrestricted net assets.

Contributed Services and Contributed Goods

Contributed services are recorded as public support only if they create or enhance non-financial assets, require specialized services, or represent an integral part of JF&CS's programs. Volunteers donated 21,000 and 20,687 hours of time in 2017 and 2016, respectively, to JF&CS's special events and program services. The value of these contributed services is not reflected in the financial statements since these services do not meet the criteria for recognition.

Contributed goods from and to the surrounding community qualify as agency transactions in accordance with the Not-for-Profit Topic of the FASB ASC 958-605-25, *Revenue Recognition*. JF&CS's policy is not to report the receipt or disbursement of these goods in the financial statements.

Cash and Cash Equivalents

JF&CS considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. These amounts include cash donations and grants that are restricted in terms of their use.

JF&CS maintains its cash deposits at financial institutions. Balances, at times, may exceed federally insured limits. Management believes no risk of loss existed at December 31, 2017 and 2016.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note B - Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. JF&CS provides an allowance for doubtful accounts equal to the estimated uncollectible account balances. JF&CS's estimate is based on a review of the current status of accounts receivable. Accounts receivable are presented net of an allowance for doubtful accounts of \$2,000 for each of the years ended December 31, 2017 and 2016.

Investments

Investments are stated at fair value. Investment income is recognized when earned.

Fair Value Measurements

Financial assets and liabilities have been disclosed at their respective fair values or measured at the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date on a recurring basis. The financial assets and liabilities are valued using the following fair value hierarchy in order to disclose the measurement of fair value based on three levels of observable or unobservable inputs.

Level 1: Quoted prices (unadjusted) in active markets for identical assets that JF&CS has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the assumptions that market participants would use in pricing the asset, based on the best information available in the circumstances.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments in Jewish Federation's investment pool are valued at the closing net asset value (NAV) of shares held at year-end.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note B - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Beneficial interests in trusts are measured at fair value on a recurring basis using significant third party trust valuations and management's estimate of the value of JF&CS's share of the investment and are considered Level 3 investments.

The Organization has used a "practical expedient" to estimate fair value of its Level 2 investments. The Net Asset Value (NAV) reported by each investment fund is used as a practical expedient to estimate the fair value of the Organization's interest in the fund. Investments are categorized as Level 2 when the Organization has the ability to redeem its investment in the entity at the NAV per share in the near term. There are no unfunded commitments associated with these investments, nor are there any significant restrictions on the Organization's ability to sell these investments. Additionally, there are no circumstances under which the investments would not be redeemable.

Management determines the fair value measurement valuation policies and procedures, which are subject to Board assessment and approval. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate.

JF&CS recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between levels for the years ending December 31, 2017 and 2016.

Property and Equipment

Purchased property and equipment is recorded at cost. Donated equipment is recorded at the fair value at the date of the donation. Additions and replacements of \$2,500 or more are capitalized in the period placed in service. Maintenance and repairs, which do not improve or extend the lives of the respective assets, are charged against earnings. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note B -Summary of Significant Accounting Policies (Continued)

Impairment of Long Lived Assets

JF&CS evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. In the opinion of management, no such impairment existed for the years ended December 31, 2017 and 2016.

Deferred Revenue / Due to Unrelated Parties

Grants and fees from professional services are evaluated to determine if the revenue is considered unearned or refundable to the grantor. If such conditions exist, the revenue is deferred until earned and/or until grant agreement requirements are fulfilled.

The "Children at Risk" program is funded by a Foundation and requires cash advances to JF&CS, a portion of which represents Deferred Revenue earned by JF&CS, and a portion of which represents Advances Due to Unrelated Parties for consulting services.

Functional Allocation of Expenses

JF&CS allocates its expenses on a functional basis among its program and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Other expenses common to several functions are allocated based on various methods including square footage, headcount, etc.

Concentration of Risk

JF&CS's investments are held by the Jewish Federation of St. Louis. Its investments are pooled with other investments controlled by the Jewish Federation and, therefore, are susceptible to any losses incurred by the total assets pooled by the Jewish Federation.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note B -Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

JF&CS constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

JF&CS has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provisions for income taxes is necessary at this time to cover any uncertain tax positions.

Subsequent Events

JF&CS has evaluated all subsequent events through May 22, 2018, the date the financial statements were available to be issued.

Reclassifications

Certain amounts on the 2016 financial statements have been reclassified, where appropriate, to conform to the presentation used in the 2017 financial statements. Total change in net assets is unchanged due to these reclassifications.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note C - Investments

In accordance with ASU 2015-07, certain collective trust investments and pooled separate account investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. See below regarding investments measured at fair value using net asset value per share.

	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investments	\$ 5,937,305	-	Not Available	Not Available

	2016			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investments	\$ 4,990,714	-	Not Available	Not Available

The cost basis of these pooled investments as of December 31, 2017 and 2016 was \$5,200,287 and \$4,647,525, respectively.

JF&CS reports investment return as increases or decreases in unrestricted net assets, unless the income is donor restricted. Investment income and gains, restricted by the donor, are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the investment income or gains are recognized.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note C - Investments (Continued)

The following schedule summarizes investment return and its classification in the statements of activities:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 36,585	\$ 37,023
Net realized and unrealized gains	<u>697,147</u>	<u>240,609</u>
	<u>733,732</u>	<u>277,632</u>
Less investment fees	<u>(32,375)</u>	<u>(25,690)</u>
Total investment return	<u>\$ 701,357</u>	<u>\$ 251,942</u>

Note D - Donor and Board Designated Endowments

JF&CS's endowments consist of approximately 25 individual funds established for a variety of purposes. Their endowments consist of both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

JF&CS has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), adopted into Missouri law in 2009, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, JF&CS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by JF&CS in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, JF&CS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of JF&CS, and (7) JF&CS's investment policies.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note D - Donor and Board Designated Endowments (Continued)

In the absence of donor restrictions, under the terms of JF&CS's governing documents, the Board of Directors has the ability to distribute so much of the original principal of any trust or separate gift, bequest, or fund as the Board of Directors in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as temporarily or permanently restricted are classified as unrestricted net assets for financial statements purposes.

JF&CS has investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The investment policy establishes an achievable return objective through diversification of asset classes. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, JF&CS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places emphasis on fixed income securities and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

JF&CS has a policy of appropriating for distribution an approved percentage of its endowment fund's year-end fair value each year. In 2017 and 2016, the Board of Directors approved up to 4.5% of its endowment fund's year-end fair value for distribution. During 2017 and 2016, .5% was distributed each year. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effect of inflation. JF&CS expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 6% annually, which is consistent with JF&CS's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through investment return.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note D - Donor and Board Designated Endowments (Continued)

Endowment net asset composition by type of fund as of December 31:

	2017			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$1,698,781	\$1,579,179	\$3,277,960
Board-designated endowment funds	<u>2,963,195</u>	<u>-</u>	<u>-</u>	<u>2,963,195</u>
Total funds	<u>\$2,963,195</u>	<u>\$1,698,781</u>	<u>\$1,579,179</u>	<u>\$6,241,155</u>

	2016			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$1,494,374	\$1,552,034	\$3,046,408
Board-designated endowment funds	<u>2,236,319</u>	<u>-</u>	<u>-</u>	<u>2,236,319</u>
Total funds	<u>\$2,236,319</u>	<u>\$1,494,374</u>	<u>\$1,552,034</u>	<u>\$5,282,727</u>

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note D - Donor and Board Designated Endowments (Continued)

Changes in endowment net assets as of December 31:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2015	\$2,069,128	\$1,421,628	\$1,523,422	\$5,014,178
Contributions	-	3,127	28,612	31,739
Interest and dividends	24,569	12,454	-	37,023
Net realized and unrealized gains	159,669	80,940	-	240,609
Investment fees	(17,047)	(8,643)	-	(25,690)
Amounts appropriated for expenditure	<u>-</u>	<u>(15,132)</u>	<u>-</u>	<u>(15,132)</u>
Endowment net assets, December 31, 2016	<u>\$2,236,319</u>	<u>\$1,494,374</u>	<u>\$1,552,034</u>	<u>\$5,282,727</u>
Contributions	-	25,120	27,145	52,265
Interest and dividends	24,305	12,280	-	36,585
Net realized and unrealized gains	463,146	234,001	-	697,147
Investment fees	(21,508)	(10,867)	-	(32,375)
Transfer into fund	260,933	-	-	260,933
Amounts appropriated for expenditure	<u>-</u>	<u>(56,127)</u>	<u>-</u>	<u>(56,127)</u>
Endowment net assets, December 31, 2017	<u>\$2,963,195</u>	<u>\$1,698,781</u>	<u>\$1,579,179</u>	<u>\$6,241,155</u>

In 2012, the Board of Directors approved a total of \$1,250,000 as an internal borrowing from Board designated endowment funds. The remaining balance was repaid in 2016.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note E - Property and Equipment

Property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 613,657	\$ 613,657
Buildings and improvements	3,790,539	3,790,539
Furniture and fixtures	<u>745,125</u>	<u>767,143</u>
	5,149,321	5,171,339
Less accumulated depreciation	<u>(1,705,769)</u>	<u>(1,619,353)</u>
Net book value	<u>\$3,443,552</u>	<u>\$3,551,986</u>

Note F - Temporarily Restricted Net Assets

Temporarily restricted net assets available for the following purposes:

	<u>2017</u>	<u>2016</u>
Program services	\$1,791,886	\$1,546,382
Timing restrictions	11,581	13,581
Subsequent year's activities:		
United Way allocation	716,356	716,356
Jewish Federation allocation	<u>228,683</u>	<u>164,802</u>
Total temporarily restricted net assets	<u>\$2,748,506</u>	<u>\$2,441,121</u>
Net assets released:		
Restricted programs	\$ 56,127	\$ 255,242
Restricted timing	<u>956,621</u>	<u>1,651,935</u>
	<u>\$1,012,748</u>	<u>\$1,907,177</u>

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note G - Unrestricted Net Assets

The Board of Directors, by voluntary resolutions, designated the unrestricted net assets as follows:

	<u>2017</u>	<u>2016</u>
Endowment purposes	\$2,963,195	\$2,236,319
Undesignated	<u>4,710,324</u>	<u>4,414,289</u>
Total unrestricted net assets	<u>\$7,673,519</u>	<u>\$6,650,608</u>

Note H - Permanently Restricted Net Assets

Permanently restricted net assets represent permanently restricted gifts and perpetual endowments established for the benefit of JF&CS. These donor-imposed restrictions stipulated that the original contribution be maintained permanently, but permit JF&CS to expend part or all of the income derived from the donated assets. Amounts considered permanently restricted at December 31, 2017 and 2016 totaled \$1,612,437 and \$1,566,840, respectively.

Note I - Promises to Give

Unconditional promises to give consist of the following:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$1,004,222	\$ 957,620
Receivable in one to five years	<u>-</u>	<u>1,000</u>
	987,587	958,620
Less discount and allowance	<u>48,451</u>	<u>64,544</u>
Net unconditional promises to give	<u>\$ 955,771</u>	<u>\$ 894,076</u>

Unconditional promises to give with due dates extending beyond one year are discounted using the bank's prime rate. The applicable rates were 4.25% and 3.50% for the years ended December 31, 2017 and 2016, respectively.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2017

Note J - Retirement Plan

JF&CS's defined contribution profit-sharing Plan covers all eligible employees. Contributions are discretionary and determined annually by the Board of Directors. Contributions to the Plan totaled \$78,237 and \$84,636 in 2017 and 2016, respectively.

Note K - Concentrations

For the years ended December 31, 2017 and 2016, JF&CS received approximately 33% and 37%, respectively, of JF&CS's support from two sources.

Note L - Line of Credit

During 2017, JF&CS renewed their line-of- credit with Busey Bank in the amount of \$600,000, maturing on September 6, 2018. Amounts borrowed under this agreement bear interest at the bank's prime rate, resulting in rates of 4.25% and 3.50% at December 31, 2017 and 2016, respectively. The line is collateralized by the building located at 10950 Schuetz Road. No borrowings occurred during 2017 or 2016, and none have occurred through the date of the independent auditors' report.

Note M - Foundation Grant

Beginning November 1, 2015, JF&CS entered into a grant agreement with a Foundation that calls for JF&CS to receive funding from the Foundation upfront and uses the funds to pay the wages and travel expenses of various consultants contracted by JF&CS. The consultants are monitored and hired by a contractor of JF&CS who is the spouse of the Assistant Executive Director of Programs of the Organization. As of December 2017 and 2016, respectively, JF&CS received advance payments of \$865,864 and \$899,861 related to the above grants. These advance payments include amount representing revenue that will be earned by JF&CS, as well as amounts that will be paid to unrelated parties for consulting services.