



2016

Jewish Family & Children's Service



Financial Statements
with Independent Auditor's Report
December 31, 2016



BROWN
SMITH
WALLACE 
A MEASURABLE DIFFERENCE



*Inspired by Jewish tradition,
Jewish Family & Children's Service
provides quality social services to the
Jewish and general communities,
empowering people in need to meet the
challenges of daily living.*



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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, 2016 and 2015, 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, 2016 and 2015, 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 23, 2017

JEWISH FAMILY & CHILDREN'S SERVICE

Statements of Financial Position

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 2,327,427	\$ 2,525,399
Accounts receivable, net	168,027	238,002
Prepaid expenses	-	22,179
Investments, at fair value	4,990,714	3,416,951
Beneficial interest in perpetual trust	10,014	10,014
Unconditional promises to give	894,076	1,730,406
Property and equipment, net	3,551,986	3,675,760
TOTAL ASSETS	\$ 11,942,244	\$ 11,618,711
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 108,753	\$ 130,710
Accrued expenses	238,019	203,070
Homemaker deposits	319	8,301
Other liabilities	36,723	40,736
Deferred revenue	89,996	83,256
Advances due to unrelated parties	809,865	670,106
Total Liabilities	1,283,675	1,136,179
Net Assets		
Unrestricted	7,032,453	5,806,167
Temporarily restricted	2,059,276	3,143,756
Permanently restricted	1,566,840	1,532,609
Total Net Assets	10,658,569	10,482,532
TOTAL LIABILITIES AND NET ASSETS	\$ 11,942,244	\$ 11,618,711

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	219,200	32,742	-	251,942
In-kind	-	-	-	-
Other income	15,779	-	-	15,779
Net assets released from restrictions	2,237,014	(2,237,014)	-	-
TOTAL SUPPORT AND REVENUE	6,128,001	(1,084,480)	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	1,226,286	(1,084,480)	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	\$ 7,032,453	\$ 2,059,276	\$ 1,566,840	\$ 10,658,569

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

JEWISH FAMILY & CHILDREN'S SERVICE

Statement of Activities

Year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 795,955	\$ 197,778	\$ 37,064	\$ 1,030,797
Special program grants and other	150,105	-	-	150,105
Foundation grant	26,585	-	-	26,585
Special event revenue, net of direct expenses of \$37,147	215,275	-	-	215,275
United Way of Greater St. Louis	-	772,183	-	772,183
Jewish Federation of St. Louis	432,316	266,943	-	699,259
Associated organizations	75,000	-	-	75,000
Fees for professional services rendered	2,350,676	-	-	2,350,676
Investment return, net	(91,947)	(56,805)	-	(148,752)
In-kind	32,535	-	-	32,535
Other income	12,547	-	-	12,547
Net assets released from restrictions	1,710,252	(1,710,252)	-	-
TOTAL SUPPORT AND REVENUE	5,709,299	(530,153)	37,064	5,216,210
EXPENSES				
Program services:				
Counseling	2,052,537	-	-	2,052,537
Homemaker	572,235	-	-	572,235
Community Chaplaincy	150,607	-	-	150,607
Harvey Kornblum Jewish Food Pantry	793,261	-	-	793,261
Child Abuse Detection and Prevention	181,586	-	-	181,586
Children At Risk	8,969	-	-	8,969
Financial Assistance	264,920	-	-	264,920
Senior Services	177,669	-	-	177,669
Total program services	4,201,784	-	-	4,201,784
Supporting services:				
Management and general	464,767	-	-	464,767
Fundraising	348,047	-	-	348,047
Total supporting services	812,814	-	-	812,814
TOTAL EXPENSES	5,014,598	-	-	5,014,598
CHANGE IN NET ASSETS	694,701	(530,153)	37,064	201,612
Net assets, beginning of year	5,111,466	3,673,909	1,495,545	10,280,920
Net assets, end of year	\$ 5,806,167	\$ 3,143,756	\$ 1,532,609	\$ 10,482,532

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

JEWISH FAMILY & CHILDREN'S SERVICE

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 176,037	\$ 201,612
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	165,201	156,870
Noncash donations	(41,427)	(29,091)
Provision for net present value on promises to give	(924)	3,619
Change in value of beneficial interest in trusts	-	(870)
Change in allowance for promises to give	3,000	1,000
Realized/unrealized loss (gain) on investments	(240,609)	176,267
Changes in operating assets:		
Unconditional promises to give	131,726	168,135
Accounts receivables	69,975	(30,196)
Prepaid expenses	22,179	(19,273)
Changes in operating liabilities:		
Accounts payable	(21,957)	8,078
Accrued expenses	34,949	14,369
Homemaker deposits	(7,982)	(3,696)
Other liabilities	(4,013)	1,770
Deferred revenue	6,740	-
Advances due to unrelated parties	139,759	704,291
Net cash provided by operating activities	432,654	1,352,885
Cash flows from investing activities:		
Investment purchases	(1,954,802)	(78,063)
Proceeds from sale of investments	658,671	107,275
Reinvestment of interest and dividends	(37,023)	(52,496)
Property and equipment purchased	-	(165,310)
Net cash used in investing activities	(1,333,154)	(188,594)
Cash flows from financing activities:		
Cash collected on capital campaign pledges	702,528	292,135
Net cash provided by financing activities	702,528	292,135
NET (DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS	(197,972)	1,456,426
Cash and cash equivalents, beginning of year	2,525,399	1,068,973
Cash and cash equivalents, end of year	\$ 2,327,427	\$ 2,525,399

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		Total Expenses			
	Clinical Services		Homemaker	Chaplaincy	Food Pantry	Child Abuse		Children		Financial Assistance	Senior Services	Elderlink		Total	Management and General	Fund-raising
						Detection and Prevention	At Risk									
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	
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
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

Statement of Functional Expenses

Year ended December 31, 2015

	Program Services									Supporting Services			
	Clinical			Child Abuse		Children		Financial		Total	Management and General	Fund-raising	Total Expenses
	Services	Homemaker	Chaplaincy	Food Pantry	Detection and Prevention	At Risk	Assistance	Elderlink					
Salaries	\$ 1,148,178	\$ 76,441	\$ 108,835	\$ 333,461	\$ 118,630	\$ -	\$ 80,491	\$ 118,352	\$ 1,984,388	\$ 332,075	\$ 216,486	\$ 2,532,949	
Contracted professionals	278,738	-	-	-	-	-	15,750	-	294,488	-	-	294,488	
Benefits	133,938	11,663	9,538	74,555	12,346	-	8,870	22,721	273,631	49,557	25,620	348,808	
Taxes	84,041	5,599	7,720	24,435	8,663	-	5,904	8,669	145,031	24,306	15,867	185,204	
Total salaries and related expenses	1,644,895	93,703	126,093	432,451	139,639	-	111,015	149,742	2,697,538	405,938	257,973	3,361,449	
Assistance to individuals	-	-	-	100,245	-	-	140,864	-	241,109	-	-	241,109	
Dues	10,205	610	1,850	4,977	866	-	1,002	838	20,348	2,516	2,743	25,607	
Equipment (maintenance / lease)	18,053	1,042	700	16,531	1,424	-	444	1,467	39,661	3,410	2,787	45,858	
Insurance	8,149	492	1,068	8,566	698	-	808	675	20,456	2,031	1,366	23,853	
Interest	108	7	14	93	10	-	11	9	252	26	18	296	
Meetings	1,827	53	192	835	126	-	172	201	3,406	366	3,777	7,549	
Miscellaneous	3,448	151	675	7,493	565	-	474	4,800	17,606	766	592	18,964	
Occupancy	99,295	5,545	3,725	75,350	7,581	-	2,365	8,338	202,199	18,149	18,231	238,579	
Office expense	31,031	2,504	3,188	14,086	3,656	376	2,905	2,596	60,342	4,206	6,648	71,196	
Postage and shipping	3,095	198	388	1,784	268	11	293	300	6,337	735	7,064	14,136	
Printing/publications	4,229	85	418	2,519	241	-	301	446	8,239	588	12,568	21,395	
Professional fees	120,947	457,081	2,967	15,089	1,940	7,975	2,303	2,426	610,728	5,644	23,670	640,042	
Professional development	175	260	178	520	-	-	(25)	(25)	1,083	425	-	1,508	
Supplies	39,132	-	778	14,111	12,812	-	191	40	67,064	-	179	67,243	
Telephone	5,760	332	223	5,080	454	-	142	468	12,459	1,088	889	14,436	
Travel - local	4,616	2,550	5,918	30,185	6,764	607	238	670	51,548	7,004	656	59,208	
Bad debt	-	4,300	-	-	-	-	-	-	4,300	1,000	-	5,300	
Total expenses before depreciation	1,994,965	568,913	148,375	729,915	177,044	8,969	263,503	172,991	4,064,675	453,892	339,161	4,857,728	
Depreciation	57,572	3,322	2,232	63,346	4,542	-	1,417	4,678	137,109	10,875	8,886	156,870	
Total expenses	\$ 2,052,537	\$ 572,235	\$ 150,607	\$ 793,261	\$ 181,586	\$ 8,969	\$ 264,920	\$ 177,669	\$ 4,201,784	\$ 464,767	\$ 348,047	\$ 5,014,598	

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

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements

Year Ended December 31, 2016

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. This is a new 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, 2016

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, 2016

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 20,687 and 19,778 hours of time in 2016 and 2015, 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, 2016 and 2015.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2016

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 and \$13,240 at December 31, 2016 and 2015, respectively.

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, 2016

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.

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, 2016 and 2015.

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, 2016

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, 2016 and 2015.

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, 2016

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.

Reclassifications

Certain amounts in JF&CS's financial statements as of December 31, 2015 have been reclassified to conform to the presentation at December 31, 2016.

Subsequent Events

JF&CS has evaluated all subsequent events through May 23, 2017, the date the financial statements were available to be issued.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2016

Note C - Investments

Fair values of assets measured on a recurring basis at December 31, 2016, are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled investments	\$ 4,990,714	\$ -	\$ 4,990,714	\$ -
Beneficial interest in trust	10,014	-	10,014	-
	<u>\$ 5,000,728</u>	<u>\$ -</u>	<u>\$ 5,000,728</u>	<u>\$ -</u>

Fair values of assets measured on a recurring basis at December 31, 2015, are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled investments	\$ 3,416,951	\$ -	\$ 3,416,951	\$ -
Beneficial interest in trust	10,014	-	10,014	-
	<u>\$ 3,426,965</u>	<u>\$ -</u>	<u>\$ 3,426,965</u>	<u>\$ -</u>

The cost basis of these pooled investments as of December 31, 2016 and 2015 was \$3,416,947 and \$3,530,175, 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, 2016

Note C - Investments (Continued)

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 37,023	\$ 52,496
Net realized and unrealized gains (losses)	<u>240,609</u>	<u>(176,267)</u>
	<u>277,632</u>	<u>(123,771)</u>
Less investment fees	<u>(25,690)</u>	<u>(24,981)</u>
Total investment return	<u>\$ 251,942</u>	<u>\$ (148,752)</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, 2016

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 2016 and 2015, the Board of Directors approved up to 4.5% of its endowment fund's year-end fair value for distribution. During 2016 and 2015, 0.5% and 1.1% was distributed, respectively. 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, 2016

Note D - Donor and Board Designated Endowments (Continued)

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

	<u>2016</u>			<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>

	<u>2015</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$1,421,628	\$1,523,422	\$2,945,050
Board-designated endowment funds	<u>2,069,128</u>	<u>-</u>	<u>-</u>	<u>2,069,128</u>
Total funds	<u>\$2,069,128</u>	<u>\$1,421,628</u>	<u>\$1,523,422</u>	<u>\$5,014,178</u>

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2016

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, 2014	\$2,188,905	\$1,492,174	\$1,486,320	\$5,167,399
Contributions	-	3,128	37,102	40,230
Interest and dividends	30,500	20,047	-	50,547
Net realized and unrealized gains	(108,945)	(67,313)	-	(176,258)
Investment fees	(15,441)	(9,540)	-	(24,981)
Amounts appropriated for expenditure	<u>(25,891)</u>	<u>(16,868)</u>	<u>-</u>	<u>(42,759)</u>
Endowment net assets, December 31, 2015	<u>\$2,069,128</u>	<u>\$1,421,628</u>	<u>\$1,523,422</u>	<u>\$5,014,178</u>
Contributions	-	3,128	28,612	31,740
Interest and dividends	24,569	12,454	-	37,023
Net realized and unrealized gains	159,669	80,938	-	240,607
Investment fees	(17,047)	(8,642)	-	(25,689)
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>

In 2012, the Board of Directors approved a total of \$1,250,000 as an internal borrowing from Board designated endowment funds. There is no stated interest rate on this borrowing. A portion of the borrowings, \$250,000, was repaid in 2013. Additional payments of \$285,502 and \$60,975 were paid in 2015 and 2014. The remaining balance of \$653,523 was repaid in 2016.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2016

Note E - Property and Equipment

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 613,657	\$ 613,657
Buildings and improvements	3,790,539	3,790,539
Furniture and fixtures	<u>767,143</u>	<u>725,716</u>
	5,171,339	5,129,912
Less accumulated depreciation	<u>(1,619,353)</u>	<u>(1,454,152)</u>
Net book value	<u>\$3,551,986</u>	<u>\$3,675,760</u>

Note F - Temporarily Restricted Net Assets

Temporarily restricted net assets available for the following purposes:

	<u>2016</u>	<u>2015</u>
Program services	\$1,082,000	\$1,483,047
Timing restrictions	96,118	634,660
Subsequent year's activities:		
United Way allocation	716,356	772,183
Jewish Federation allocation	<u>164,802</u>	<u>253,866</u>
Total temporarily restricted net assets	<u>\$2,059,276</u>	<u>\$3,143,756</u>
Net assets released:		
Restricted programs	\$ 255,242	\$ 181,655
Restricted timing	<u>1,981,772</u>	<u>1,528,597</u>
	<u>\$ 2,237,014</u>	<u>\$1,710,252</u>

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2016

Note G - Unrestricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Endowment purposes	\$2,236,319	\$2,069,128
Undesignated	<u>4,796,134</u>	<u>3,737,039</u>
Total unrestricted net assets	<u>\$7,032,453</u>	<u>\$5,806,167</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, 2016 and 2015 totaled \$1,566,840 and \$1,532,609, respectively.

Note I - Promises to Give

Unconditional promises to give consist of the following:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 957,620	\$1,788,220
Receivable in one to five years	<u>1,000</u>	<u>3,805</u>
	958,620	1,792,025
Less discount and allowance	<u>64,544</u>	<u>61,620</u>
Net unconditional promises to give	<u>\$ 894,076</u>	<u>\$1,730,405</u>

Unconditional promises to give with due dates extending beyond one year are discounted using a rate of 3.5% for the years ended December 31, 2016 and 2015.

JEWISH FAMILY & CHILDREN'S SERVICE

Notes to Financial Statements - Continued

Year Ended December 31, 2016

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 \$84,636 and \$73,218 in 2016 and 2015, respectively.

Note K - Concentrations

For the years ended December 31, 2016 and 2015, JF&CS received approximately 37% and 45%, respectively, of JF&CS's support from two sources.

Note L - Line of Credit

As of December 31, 2016, JF&CS held a line-of- credit with Busey Bank in the amount of \$600,000, maturing September 7, 2017 and collateralized by the building located at 10950 Schuetz Road. The interest rate on the agreement was 3.50% and 3.25% for the years ended December 31, 2016 and 2015, respectively, with interest payable monthly. There is no outstanding balance at December 31, 2016 and 2015.

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 2016 and 2015, respectively, JF&CS received advance payments of \$899,861 and \$753,362 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. Total amounts received from the grant for the years ended December 31, 2016 and 2015 was \$5,027,860 and \$292,438, respectively. Total payroll and travel expenses paid using grant funds for the years ended December 31, 2016 and 2015 was \$5,027,895 and \$265,853, respectively.