

**JEWISH FAMILY & CHILDREN'S SERVICE OF  
GREATER MERCER COUNTY, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

**Jewish Family & Children's Service of Greater Mercer County, Inc.**

**Table of Contents  
June 30, 2018 and 2017**

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Statements of Functional Expenses	7-8
Notes to Financial Statements	9-17
<b>Supplemental Information</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	18-19
Schedule of Expenditures of State and County Awards	20
Notes to Schedule of Expenditures of State and County Awards	21

# LEAR & PANNEPACKER, LLP

*Certified Public Accountants & Advisors*

791 Alexander Road, Princeton, NJ 08540  
Tel: (609) 452-2200 Fax: (609) 452-1065

## INDEPENDENT AUDITOR'S REPORT

Golden Crest Corporate Center  
2277 State Highway #33, Suite 408, Hamilton, NJ 08690  
Tel: (609) 807-2200 Fax: (609) 981-7373

To the Board of Directors  
Jewish Family & Children's Service of Greater Mercer County, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Jewish Family & Children's Service of Greater Mercer County, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 the entity'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 the entity'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 of Greater Mercer County, Inc. as of June 30, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



*Accounting, Tax and Management Advisory Services*

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### ***June 30, 2017 Financial Statements***

The financial statements of Jewish Family & Children's Service of Greater Mercer County, Inc. as of and for the year ended June 30, 2017, were audited by other auditors whose report thereon, dated October 9, 2017, expressed an unqualified opinion.

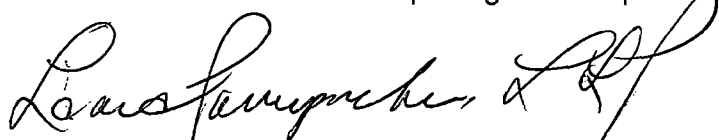
### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of State and County Awards is presented for purposes of additional analysis as required by the New Jersey Department of Human Services, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018, on our consideration of Jewish Family & Children's Service of Greater Mercer County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jewish Family & Children's Service of Greater Mercer County, Inc.'s internal control over financial reporting and compliance.



Princeton, New Jersey

November 12, 2018

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

<b>Assets</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash, unrestricted	\$ 282,004	\$ 124,267
Investments	5,000	11,504
Accounts receivable, net	57,967	40,561
Grants receivable	181,766	117,235
Bequests receivable	--	281,398
Prepaid expenses and other current assets	29,503	25,700
Pledges receivable	48,239	69,047
Loans receivable, net	900	24,206
Beneficial interests in assets held by foundation	1,557,165	1,507,007
Fixed assets, net	704,717	754,741
Intangibles, net	--	148
Cash, restricted	392,385	367,699
Certificate of deposit, restricted	15,924	15,895
Cash surrender value of life insurance	<u>63,000</u>	<u>53,000</u>
<b>Total assets</b>	<b><u>\$ 3,338,570</u></b>	<b><u>\$ 3,392,408</u></b>
 <b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 60,062	\$ 93,558
Accrued expenses	11,556	8,752
Accrued payroll and payroll taxes	32,298	55,295
Line of credit	--	50,000
Deferred revenue	24,225	16,630
Deferred compensation	68,000	65,000
Long-term debt	<u>115,000</u>	<u>115,000</u>
<b>Total liabilities</b>	<b>311,141</b>	<b>404,235</b>
<b>Net assets</b>		
Unrestricted	948,991	1,044,326
Temporarily restricted	2,060,702	1,926,111
Permanently restricted	<u>17,736</u>	<u>17,736</u>
<b>Total net assets</b>	<b><u>3,027,429</u></b>	<b><u>2,988,173</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 3,338,570</u></b>	<b><u>\$ 3,392,408</u></b>

See notes to financial statements

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue</b>				
Grants and contributions	\$ 1,104,713	\$ 181,939	\$ --	\$ 1,286,652
Counseling and service fees	396,956	--	--	396,956
Investment income	8,087	96,790	--	104,877
Special events - fundraising	<u>190,949</u>	<u>--</u>	<u>--</u>	<u>190,949</u>
Total support and revenue before net assets released from restrictions	1,700,705	278,729	--	1,979,434
Net assets released from restrictions	<u>144,138</u>	<u>( 144,138)</u>	<u>--</u>	<u>--</u>
Total support and revenue	1,844,843	134,591	--	1,979,434
<b>Expenses</b>				
Program expenses	1,668,959	--	--	1,668,959
General and administrative	117,004	--	--	117,004
Fundraising	<u>154,215</u>	<u>--</u>	<u>--</u>	<u>154,215</u>
Total expenses	<u>1,940,178</u>	<u>--</u>	<u>--</u>	<u>1,940,178</u>
<b>Change in net assets</b>	( 95,335)	134,591	--	39,256
<b>Net assets – beginning of year</b>	<u>1,044,326</u>	<u>1,926,111</u>	<u>17,736</u>	<u>2,988,173</u>
<b>Net assets – end of year</b>	<u>\$ 948,991</u>	<u>\$ 2,060,702</u>	<u>\$ 17,736</u>	<u>\$ 3,027,429</u>

See notes to financial statements

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue</b>				
Grants and contributions	\$ 795,389	\$ 591,036	\$ --	\$ 1,386,425
Counseling and service fees	429,083	--	--	429,083
Investment income	194,612	--	--	194,612
Special events - fundraising	<u>240,299</u>	<u>--</u>	<u>--</u>	<u>240,299</u>
Total support and revenue before net assets released from restrictions	1,659,383	591,036	--	2,250,419
Net assets released from restrictions	<u>451,389</u>	<u>( 451,389)</u>	<u>--</u>	<u>--</u>
Total support and revenue	2,110,772	139,647	--	2,250,419
<b>Expenses</b>				
Program expenses	1,763,756	--	--	1,763,756
General and administrative	71,510	--	--	71,510
Fundraising	<u>164,078</u>	<u>--</u>	<u>--</u>	<u>164,078</u>
Total expenses	<u>1,999,344</u>	<u>--</u>	<u>--</u>	<u>1,999,344</u>
Change in net assets	111,428	139,647	--	251,075
Net assets – beginning of year as restated (Note 2)	<u>932,898</u>	<u>1,786,464</u>	<u>17,736</u>	<u>2,737,098</u>
Net assets – end of year	<u>\$ 1,044,326</u>	<u>\$ 1,926,111</u>	<u>\$ 17,736</u>	<u>\$ 2,988,173</u>

*See notes to financial statements*

# Jewish Family & Children's Service of Greater Mercer County, Inc.

## Statements of Cash Flows Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 39,256	\$ 251,075
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Bad debt expense	31,802	11,888
Discount of promises to give	(1,245)	(1,868)
Depreciation and amortization expense	52,692	54,059
Income on assets held by a foundation	( 24,841)	( 17,193)
Net unrealized gain on investments	( 78,604)	( 163,053)
Change in operating assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	( 28,218)	580
Grants receivable	( 64,531)	26,415
Bequests receivable	281,398	(281,398)
Prepaid expenses and other current assets	( 3,803)	2,990
Pledges receivable	22,053	32,500
Loans receivable	2,316	(2,225)
Increase (decrease) in liabilities		
Accounts payable	( 33,496)	34,051
Accrued expenses	2,804	1,963
Accrued payroll and payroll taxes	( 22,997)	( 17,275)
Deferred revenue	7,595	4,944
Deferred compensation	<u>3,000</u>	<u>3,000</u>
Net cash provided by (used in) operating activities	185,181	( 59,547)
<b>Cash flows from investing activities</b>		
Increase in value of certificates of deposit	( 29)	( 117)
Investment in assets held by a foundation	( 4,500)	--
Withdrawal of assets held by a foundation	57,787	81,579
Purchases of property and equipment	( 2,520)	( 6,504)
Net sales (purchases) of investments	6,504	( 9,436)
Increase in cash surrender value of life insurance	<u>(10,000)</u>	<u>(10,000)</u>
Net cash provided by investing activities	47,242	55,522
<b>Cash flows from financing activities</b>		
Repayment of line-of-credit	<u>( 50,000)</u>	--
Net cash used in financing activities	<u>( 50,000)</u>	--
<b>Increase (decrease) in cash</b>	182,423	( 4,025)
<b>Cash at beginning of year</b>	<u>491,966</u>	<u>495,991</u>
<b>Cash at end of year</b>	<u>\$ 674,389</u>	<u>\$ 491,966</u>
<b>Reconciliation of cash</b>		
Cash, unrestricted	\$ 282,004	\$ 124,267
Cash, restricted	<u>392,385</u>	<u>367,699</u>
Total cash	<u>\$ 674,389</u>	<u>\$ 491,966</u>

See notes to financial statements



**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2018**

	<u>Senior Services</u>	<u>Counseling Expenses</u>	<u>Case Management</u>	<u>Community Programs</u>	<u>Total Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 195,706	\$ 316,238	\$ 76,429	\$ 193,553	\$ 781,926	\$ 81,628	\$ 38,437	\$ 901,991
Financial assistance	276,095	--	38,591	69,904	384,590	500	--	385,090
Professional fees	15,812	79,925	8,327	19,185	123,249	5,419	7,530	136,198
Payroll taxes	16,481	27,292	6,487	16,412	66,672	6,840	3,216	76,728
Special events	--	--	--	--	--	--	61,022	61,022
Depreciation and amortization	15,281	11,065	7,904	13,173	47,423	5,269	--	52,692
Insurance	10,747	7,782	5,559	9,264	33,352	3,705	--	37,057
Conferences and meetings	7,717	5,962	2,624	23,627	39,930	765	458	41,153
Employee benefits	6,716	16,580	1,481	9,031	33,808	2,598	855	37,261
Bad debt expense	--	10,482	--	21,320	31,802	--	--	31,802
Utilities	10,367	5,894	4,210	7,017	27,488	2,807	--	30,295
Rent	7,924	2,878	2,056	9,321	22,179	1,371	500	24,050
Advertising and marketing	1,265	1,751	423	1,585	5,024	333	17,254	22,611
Printing and publishing	1,969	3,060	737	3,992	9,758	492	11,132	21,382
Computer software	501	383	259	1,281	2,424	172	9,495	12,091
Miscellaneous expenses	1,926	2,254	883	2,447	7,510	1,066	2,609	11,185
Office expense	2,616	2,756	1,756	2,689	9,817	688	190	10,695
Payroll service	2,880	2,086	1,490	2,483	8,939	995	--	9,934
Travel	889	--	322	6,999	8,210	--	83	8,293
Repairs and maintenance- buildings and grounds	2,618	1,461	1,044	1,888	7,011	696	--	7,707
Repairs and maintenance- equipment	1,704	1,234	881	2,264	6,083	586	--	6,669
Dues and subscriptions	978	2,721	506	888	5,093	338	180	5,611
Interest expense	1,427	1,033	738	1,230	4,428	493	--	4,921
Postage and delivery	710	539	388	606	2,243	243	1,254	3,740
<b>Total expenses</b>	<b>\$ 582,329</b>	<b>\$ 503,376</b>	<b>\$ 163,095</b>	<b>\$ 420,159</b>	<b>\$ 1,668,959</b>	<b>\$ 117,004</b>	<b>\$ 154,215</b>	<b>\$ 1,940,178</b>

See notes to financial statements

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**

	<u>Senior Services</u>	<u>Counseling Expenses</u>	<u>Case Management</u>	<u>Community Programs</u>	<u>Total Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 249,414	\$ 350,869	\$ 99,528	\$ 202,429	\$ 902,240	\$ 22,668	\$ 34,209	\$ 959,117
Financial assistance	200,350	--	61,315	64,316	325,981	--	--	325,981
Professional fees	27,941	94,867	13,824	21,906	158,538	3,741	200	162,479
Payroll taxes and benefits	26,348	45,457	9,351	25,296	106,452	16,643	3,759	126,854
Special events	--	--	1,000	--	1,000	--	72,032	73,032
Depreciation and amortization	18,380	11,352	8,109	13,515	51,356	2,703	--	54,059
Conferences and meetings	9,331	1,969	1,319	22,945	35,564	374	6,176	42,114
Utilities	12,693	6,075	4,339	7,231	30,338	1,447	--	31,785
Printing and publishing	3,047	3,382	1,236	5,877	13,542	412	16,422	30,376
Advertising and marketing	2,394	2,531	1,397	3,529	9,851	304	19,518	29,673
Insurance	7,415	4,363	3,117	5,194	20,089	689	--	20,778
Rent	8,418	2,512	1,795	8,080	20,805	598	--	21,403
Miscellaneous expenses	2,597	1,397	2,663	8,324	14,981	13,627	2,531	31,139
Dues and subscriptions	4,368	5,986	1,910	3,989	16,253	618	155	17,026
Travel	1,328	153	204	10,203	11,888	--	104	11,992
Bad debt expense	757	8,645	544	1,831	11,777	111	--	11,888
Office expense	3,047	1,983	2,024	3,335	10,389	398	15	10,802
Repairs and maintenance- buildings and grounds	3,972	2,082	1,487	2,554	10,095	496	--	10,591
Computer software	946	684	417	1,045	3,092	139	7,200	10,431
Interest expense	--	--	--	--	--	6,086	--	6,086
Repairs and maintenance- equipment	1,798	1,110	793	2,083	5,784	264	--	6,048
Postage and delivery	1,325	832	576	1,008	3,741	192	1,757	5,690
<b>Total expenses</b>	<b>\$ 585,869</b>	<b>\$ 546,249</b>	<b>\$ 216,948</b>	<b>\$ 414,690</b>	<b>\$ 1,763,756</b>	<b>\$ 71,510</b>	<b>\$ 164,078</b>	<b>\$ 1,999,344</b>

See notes to financial statements

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 1 – Summary of significant accounting policies**

Significant accounting policies followed by the Organization in the preparation of the accompanying financial statements are summarized below:

***Nature of organization***

Jewish Family & Children's Service of Greater Mercer County, Inc. (the Organization), is a community service agency that strengthens individuals and families throughout the Greater Mercer County and Lower Bucks County community by teaching people how to care for themselves and each other. The Organization has had an established presence in Mercer County for more than 75 years as a comprehensive social services agency for both the local Jewish and secular community.

The Organization is dedicated to strengthening families and individuals by providing a wide range of social services and programs including therapy, information and referral, support, education and advocacy. The Organization is a state licensed, non-profit mental health agency that is accredited by the Council on Accreditation for Children and Families. The Organization ascribes to best practice standards for mental health services and client care.

Programs and services provided by the Organization include broad multi-service programs for seniors including nutrition sites; case management; Holocaust services and transportation; mental health counseling for individuals, couples, and families; financial assistance; kosher food pantry and food vouchers; prevention, support and family life education; Project Sarah (domestic violence intervention) and mental health services for the Latino population.

***Basis of presentation***

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

***Cash and cash equivalents***

Short-term investments, certificates of deposit and treasury obligations with an original maturity of three months or less are considered to be cash equivalents. The Organization has no cash equivalents at June 30, 2018.

The Organization's cash deposits exceed the federally insured limits at various times throughout the year. The Organization has not experienced any losses in these accounts. The Organization maintains its cash with high quality financial institutions which management believes limits these risks.

***Promises to give***

Unconditional promises to give are recognized as contribution revenue in the period received. Promises to give expected to be collected in less than one year are recorded at net realizable value and pledges expected to be collected in more than one year are discounted to the present value of future cash flows to be recorded at fair value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 1 – Summary of significant accounting policies (continued)**

***Revenue and support recognition***

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restricted time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, restricted contributions whose restrictions expire or are otherwise satisfied within the period of receipt are reported as unrestricted revenues in the statement of activities. Contributions are recognized as revenue when they are received or unconditionally pledged.

***Accounts receivable***

Accounts receivable are recorded net of contractual adjustments and an allowance for doubtful accounts; therefore accounts receivable consist only of the amounts that management expects to receive. Because of the inherent uncertainties in estimating the allowance for doubtful accounts, it is at least reasonably possible that the estimates used will change within the near term. Receivables are written off as a charge to the allowance for doubtful accounts when management determines the receivable will not be collected. At June 30, 2018 and 2017, the Organization's accounts receivable were net of an allowance for doubtful accounts of \$3,934 and \$10,650, respectively.

***Investments***

Investments with readily determinable fair values are measured at fair value based on quoted market prices in the accompanying financial statements. Investment income or loss (including gains and losses in investments, interest, and dividends) is included in the Statement of Activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

***Property and equipment***

Property and equipment are stated at cost and depreciated over the estimated useful lives of each asset. The estimated useful lives of the property and equipment range from three to thirty-nine years. Depreciation is computed using the straight-line method.

Additions and improvements, which extend the useful lives of the respective assets, are charged to the asset accounts and are depreciated accordingly, while general repairs and maintenance are expensed as incurred. The cost and related accumulated depreciation of assets sold or retired are eliminated from the accounts and any gains or losses are included in the change in net assets.

***Net asset classification***

Net assets are classified based on the existence or absence of donor imposed restrictions. Net assets are defined as follows:

***Unrestricted net assets***

Unrestricted net assets are not subject to donor imposed stipulations or the donor imposed restrictions have expired.

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 1 – Summary of significant accounting policies (continued)**

***Net asset classification (continued)***

*Temporarily restricted net assets*

Temporarily restricted net assets include assets for which donor-imposed restrictions have not been met.

*Permanently restricted net assets*

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the organization.

***Advertising costs***

The Organization expenses advertising costs as incurred. Total advertising expense for the years ended June 30, 2018 and 2017 totaled to \$22,611 and \$29,673, respectively.

***Functional expense allocations***

Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

***Income taxes***

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Organizations' mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized as of June 30, 2018 and 2017.

U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Organization did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of June 30, 2018 or 2017, or the accompanying statements of activities for the years then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

***Reclassifications***

Certain amounts previously reported in the financial statements for the year ended June 30, 2017 have been reclassified to conform to the June 30, 2018 classifications.

***Use of estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, results could differ from those estimates.

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 2 – Prior-period adjustments**

The accompanying financial statements as of and for the year ended June 30, 2017 have been restated to correct two errors identified in previously issued financial statements, the failure to record the cash surrender value of a whole life insurance policy on the life of a retired member of management and the failure to record the present value of future payments owed under a deferred compensation agreement with this individual (Note 16).

These corrections resulted in the following restatements in the accompanying financial statements as of June 30, 2017:

Net assets, June 30, 2016 as previously reported	\$ 2,756,098	
Cash surrender value of life insurance at June 30, 2016	43,000	
Deferred compensation liability at June 30, 2016	<u>(62,000)</u>	
Net assets, June 30, 2016 as restated		\$ 2,737,098
Change in net assets as previously reported, year ended June 30, 2017	244,075	
Change cash surrender value of life insurance and deferred compensation liability, year ended June 30, 2017	<u>7,000</u>	
Change in net assets, year ended June 30, 2017 as restated		<u>251,075</u>
Net assets, June 30, 2017, as restated		<u>\$ 2,988,173</u>

**Note 3 – Cash and certificates of deposit - restricted**

The Organization maintains separate bank accounts which are restricted for board designated purposes, as described in Note 11.

The Organization's certificate of deposit has been donor restricted for scholarships.

**Note 4 – Requests receivable**

The Organization received a bequest from an individual's estate in the amount of \$281,398. The estate was settled in July 2017 and the contribution was received in the year ended June 30, 2018.

**Note 5 – Promises to give**

Unconditional promises to give were received to support the ongoing operations of the Organization. The unconditional promises to give as of June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Gross unconditional promises to give	\$ 49,175	\$ 71,228
Less: unamortized discount	<u>( 936)</u>	<u>( 2,181)</u>
Net unconditional promises to give	<u>48,239</u>	<u>69,047</u>
Amounts due in:		
Less than one year	35,739	44,047
One to five years	<u>12,500</u>	<u>25,000</u>
Total	<u>\$ 48,239</u>	<u>\$ 69,047</u>

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 5 – Promises to give (continued)**

Unconditional promises to give due in more than one year are recognized at fair value using present value techniques with a discount rate at the AFR rate on the date the promise to give was received which the Organization believes approximates its risk-free rate of return. The discount rates at June 30, 2018 was 2.64%.

**Note 6 – Fair value**

Financial Accounting Standards Board ASC 820, Fair Value Measurements, provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Investments in investee funds that are valued using the net asset values (NAV) of the underlying investee fund as a practical expedient have been excluded from the fair value hierarchy and are shown as a separate column in the fair value leveling table. Where the Organization has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) using the practical expedient, such investments have been excluded from the fair value hierarchy. Funds held and valued by the Jewish Community Foundation of Princeton Mercer Bucks, Inc. (the Foundation) are valued using this method.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

# Jewish Family & Children's Service of Greater Mercer County, Inc.

## Notes to Financial Statements

June 30, 2018 and 2017

### Note 6 – Fair value (continued)

The following table sets forth by level, within fair value hierarchy, the Plan's assets at fair value as of June 30, 2018.

	Level 1 Quoted Prices in Active Markets	Level 2 Observable Measurement Criteria	Level 3 Unobservable Measurement Criteria	Total
Bonds	\$ 5,000	\$ --	\$ --	\$ 5,000
Equities	--	--	--	--
Beneficial interest in assets held by Foundation	--	--	--	1,557,165
Total assets	<u>\$ 5,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,562,165</u>

The following table sets forth by level, within fair value hierarchy, the Plan's assets at fair value as of June 30, 2017.

	Level 1 Quoted Prices in Active Markets	Level 2 Observable Measurement Criteria	Level 3 Unobservable Measurement Criteria	Total
Bonds	\$ 5,000	\$ --	\$ --	\$ 5,000
Equities	6,504	--	--	6,504
Beneficial interest in assets held by Foundation	--	--	--	1,507,007
Total assets	<u>\$ 11,504</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,518,511</u>

### Note 7 – Property and equipment

Property and equipment consists of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 859,760	\$ 859,760
Furniture	54,837	55,708
Equipment	260,158	257,639
Artwork	4,257	4,257
Total property and equipment	1,179,012	1,177,364
Less: accumulated depreciation	(474,295)	(422,623)
Property and equipment, net	<u>\$ 704,717</u>	<u>\$ 754,741</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$52,544 and \$52,871, respectively.

### Note 8 – Beneficial interests in assets held by foundation

The Organization established an investment account with the Foundation. The Foundation has authority over the investment of the assets in the fund. The assets are available to the Organization for charitable purposes.



# Jewish Family & Children's Service of Greater Mercer County, Inc.

## Notes to Financial Statements

June 30, 2018 and 2017

### **Note 8 – Beneficial interests in assets held by foundation (continued)**

The Organization was named in the will of a deceased donor to the Foundation. The Organization may withdraw up to two percent of the principal of the assets in the fund each year. As of June 30, 2018, interest of \$59,253 and principal of \$28,710 were available to be withdrawn. The value of the fund as of June 30, 2018 and 2017 was \$1,494,877 and \$1,451,846, respectively. The assets not available for current use are classified as temporarily restricted net assets.

The Organization also holds various other funds under the Foundation, the value of these funds as of June 30, 2018 and 2017 totaled \$62,288 and \$64,936, respectively.

Investment income consists of the following at June 30, 2018:

Interest and dividends	\$ 36,858
Appreciation in value of assets	78,604
Investment management fees	<u>(10,585)</u>
	<u>\$ 104,877</u>

### **Note 9 – Loans receivable**

The Organization has extended unsecured interest free loans under the Hebrew Free Loan Program to individuals in need with terms ranging from 18 to 36 months. An allowance for doubtful accounts has been established representing account balances deemed to be uncollectible by management. In the year ended June 30, 2018, the Organization's Hebrew Free Loan Program committee determined that many of these loans were uncollectable and wrote them off against the allowance for doubtful accounts and bad debt expense.

The activity for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total loans receivable - beginning of year	\$ 24,206	\$ 28,706
New loans	1,600	11,000
Repayments	(3,916)	(8,775)
Bad debts	<u>(20,990)</u>	<u>--</u>
Total loans receivable - end of year	900	30,931
Less: Allowance for doubtful accounts	<u>--</u>	<u>(6,725)</u>
Loans receivable, net	<u>\$ 900</u>	<u>\$ 24,206</u>

### **Note 10 – Mortgage payable**

The Organization has a \$115,000 mortgage on an office condominium in West Windsor, NJ., payable to the Jewish Federation of Mercer/Bucks Counties. The mortgage is non-interest bearing and secured by real estate with a book value of \$123,132 at June 30, 2018. The note is due upon the sale of this property.

Interest expense of \$3,738 has been imputed at 3.25% for each of the years ended June 30, 2018 and 2017.

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 11 – Board designated net assets**

The Board of Directors has set aside a portion of the Organization's net assets to be available for the following purposes as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Building fund	\$ 50,050	\$ 50,000
Hebrew free loans	52,134	49,783
Ongoing operations	<u>290,200</u>	<u>267,916</u>
Total	<u>\$ 392,384</u>	<u>\$ 367,699</u>

Board designated funds are included in unrestricted net assets in the accompanying financial statements.

**Note 12 – Temporarily restricted net assets**

Temporarily restricted net assets are available for the following purposes as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Assistance to family and children	\$ 565,825	\$ 474,265
Assets held in charitable foundation - time restricted	<u>1,494,877</u>	<u>1,451,846</u>
Total temporarily restricted net assets	<u>\$ 2,060,702</u>	<u>\$ 1,926,111</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended June 30, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Assistance to family and children	\$ 87,731	\$ 371,109
Assets held in charitable foundation - time restricted	<u>56,407</u>	<u>80,280</u>
Total released	<u>\$ 144,138</u>	<u>\$ 451,389</u>

**Note 13 – Permanently restricted net assets**

Permanently restricted net assets are restricted endowments in which the principal is to be invested permanently and the income is temporarily restricted to support scholarships.

**Note 14 – Retirement plan**

The Organization sponsors a defined contribution benefit plan, covering employees employed one year or more by the Organization. After completing one year of service, the Organization will contribute 1% of the participant's compensation. After completing two years of service, the Organization contributes 3% of the participant's compensation. The expense totaled \$17,808 and \$16,138 for the years ended June 30, 2018 and 2017, respectively.

**Note 15 – Related party transactions**

A board member of the Organization is employed by the firm through which the Organization purchases its commercial insurance policies. The board member is not involved in handling the Organization's insurance, and does not vote on insurance-related matters when put in front of the board.

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 16 – Commitments**

The Organization rents certain facilities under short-term rental agreements. Rent expense under these arrangements is not significant to the financial statements. The Organization's offices require monthly condominium fees which total \$1,053 per month at June 30, 2018. Office equipment with monthly rent of \$311 is leased through September 2018.

The following is a schedule of the remaining life of approximate future minimum lease payments required under the office equipment operating lease that have initial noncancellable lease terms in excess of one year at June 30, 2018:

2019	\$ <u>934</u>
	\$ <u><u>934</u></u>

The Organization has a deferred compensation agreement with a retired member of management with required payments of \$12,000 per year from 2025 through 2034. The present value of these payments has been reflected as a liability in the accompanying financial statements.

**Note 17 – Line of credit**

The Organization has available a \$150,000 revolving line of credit with a bank which is secured by all assets of the Organization and bears interest at the prime rate plus .75% (5.75% at June 30, 2018). There were no borrowings against this line at June 30, 2018. Borrowings under the loan totaled \$50,000 at June 30, 2017. The line matures November 30, 2018 and is collateralized by all assets of the Organization.

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note 18 – Contingencies**

The Organization is a defendant in a legal action. The Organization's legal counsel believes that the Organization will be successful in a motion for summary judgement in this matter. Further, legal counsel is being provided by the Organization's insurance carrier and any liability that could result from this matter would be covered under this insurance coverage as well.

**Note 19 – Subsequent events**

The Organization evaluated subsequent events through November 12, 2018, which is the date the financial statements were available for issuance and has not noted any events to be disclosed.

# LEAR & PANNEPACKER, LLP

*Certified Public Accountants & Advisors*

791 Alexander Road, Princeton, NJ 08540  
Tel: (609) 452-2200 Fax: (609) 452-1065

Golden Crest Corporate Center  
2277 State Highway #33, Suite 408, Hamilton, NJ 08690  
Tel: (609) 807-2200 Fax: (609) 981-7373

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Jewish Family & Children's Service of Greater Mercer County, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Jewish Family & Children's Service of Greater Mercer County, Inc. (the "Organization"), which comprise the Statement of Financial Position as of June 30, 2018 and the related Statements of Activities and Changes in Net Assets, Cash Flows, and Functional Expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2018.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



*Accounting, Tax and Management Advisory Services*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)**

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Louis J. Pappalardo, L.L.P.", written in a cursive style.

Princeton, New Jersey  
November 12, 2018

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Schedule of Expenditures of State and County Awards**  
**Year Ended June 30, 2018**

<u>Grantor</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Grant Award</u>	<u>Grant Expenditures</u>
State of New Jersey Department of Human Services	20010	7/1/17 - 6/30/18	\$ 26,121	\$ 26,121
County of Mercer Outpatient Mental Health Services	2016-561	1/1/17-12/31/17	60,000	38,582
Hispanic Outreach Proyecto Salud Mental	2016-560	1/1/17-12/31/17	10,758	5,379
Outpatient Mental Health Services	2017-454	1/1/18-12/31/18	30,000	15,000
Early Intervention Services	2017-621	1/1/18-12/31/18	25,850	16,772
Latino Trauma Treatment Special Initiative Services	2018-116	3/1/18-12/31/18	76,000	30,400
Office of Aging Kosher Cafe	2016-22	1/1/17-12/31/17	25,000	6,316
	2016-22	1/1/18-12/31/18	25,000	<u>18,894</u>
				--
<b>Total expenditures of all awards</b>				<b>\$ <u>157,464</u></b>

*See accompanying notes to schedule of expenditures of state and county financial assistance*

**Jewish Family & Children's Service of Greater Mercer County, Inc.**  
**Notes to Schedule of Expenditures of State and County Awards**  
**June 30, 2018 and 2017**

**Note 1 – Basis of presentation**

The accompanying Schedule of Expenditures of State and County Awards includes the grant activity of Jewish Family & Children's Service of Greater Mercer County, Inc. and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of New Jersey Department of Human Services. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The purpose of the Schedule is to present a summary of those activities of the Organization for the year ended June 30, 2018, which have been financed by state and county agencies. For purposes of the Schedule, state and county awards include any assistance provided by an agency directly or indirectly in the form of grants, contracts, cooperative agreements, direct appropriation, loans, loan guarantees, property, interest subsidies, insurance and other non-cash assistance. Because the Schedule presents only a selected portion of the activities of the Organization, it is not intended to, and does not, present either the financial position or the revenue, expenditures and other changes in net assets of the Organization.

**Note 2 – Relationship to basic financial statements**

Expenditures related to state and county awards are reported in the Statement of Functional Expenses under the captions of program services and general and administrative. With respect to certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the accompanying Schedule of Expenditures of State and County Awards due to program and general and administrative expenditures in excess of grant or contract budgets, matching or in-kind contributions or capitalization policies required under accounting principles generally accepted in the United States of America.