

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

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Jewish Family & Children's Service of Greater Mercer County, Inc.
Table of Contents
June 30, 2019 and 2018

	<u>Page</u>
Independent Auditor's Report	1-2
 Financial Statements	
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	9-18
 Supplemental Information	
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	19-20
Schedule of Expenditures of State and County Awards	21
Notes to Schedule of Expenditures of State and County Awards	22

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 corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses 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 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, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



INDEPENDENT AUDITOR'S REPORT (Continued)

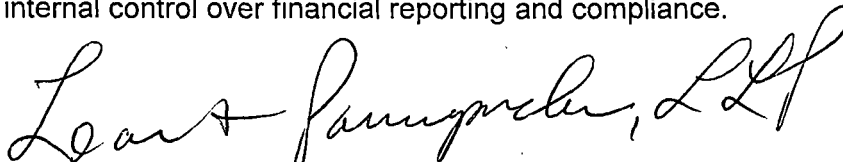
Other Matters

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 October 3, 2019, 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
October 3, 2019

Jewish Family & Children's Service of Greater Mercer County, Inc.
Statements of Financial Position
June 30, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Cash, unrestricted	\$ 325,771	\$ 282,004
Investments	5,000	5,000
Accounts receivable, net	118,938	57,967
Grants receivable	132,843	181,766
Prepaid expenses and other current assets	25,192	29,503
Pledges receivable	32,375	48,239
Loans receivable, net	1,863	900
Beneficial interests in assets held by foundation	1,492,223	1,557,165
Property and equipment, net	653,278	704,717
Cash, restricted	400,417	392,385
Certificate of deposit, restricted	15,948	15,924
Cash surrender value of life insurance	<u>74,000</u>	<u>63,000</u>
Total assets	<u>\$ 3,277,848</u>	<u>\$ 3,338,570</u>
 Liabilities and net assets		
Liabilities		
Accounts payable	\$ 34,895	\$ 60,062
Accrued expenses	7,847	11,556
Accrued payroll and payroll taxes	52,046	32,298
Deferred revenue	22,575	24,225
Deferred compensation	72,000	68,000
Long-term debt	<u>115,000</u>	<u>115,000</u>
Total liabilities	304,363	311,141
 Net assets		
Net assets without donor restrictions	1,026,090	948,991
Net assets with donor restrictions	<u>1,947,395</u>	<u>2,078,438</u>
Total net assets	<u>2,973,485</u>	<u>3,027,429</u>
Total liabilities and net assets	<u>\$ 3,277,848</u>	<u>\$ 3,338,570</u>

See notes to financial statements

Jewish Family & Children's Service of Greater Mercer County, Inc.
Statement of Activities
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Grants and contributions	\$ 1,182,252	\$ 170,214	\$ 1,352,466
Counseling and service fees	440,000	--	440,000
Investment income	2,709	48,933	51,642
Special events - fundraising	<u>168,210</u>	<u>--</u>	<u>168,210</u>
Total support and revenue before net assets released from restrictions	1,793,171	219,147	2,012,318
Net assets released from restrictions	<u>350,190</u>	<u>(350,190)</u>	<u>--</u>
Total support and revenue	2,143,361	(131,043)	2,012,318
 Expenses			
Program expenses	1,678,145	--	1,678,145
General and administrative	182,818	--	182,818
Fundraising	<u>205,299</u>	<u>--</u>	<u>205,299</u>
Total expenses	<u>2,066,262</u>	<u>--</u>	<u>2,066,262</u>
 Change in net assets	77,099	(131,043)	(53,944)
 Net assets – beginning of year	<u>948,991</u>	<u>2,078,438</u>	<u>3,027,429</u>
 Net assets – end of year	<u>\$ 1,026,090</u>	<u>\$ 1,947,395</u>	<u>\$ 2,973,485</u>

See notes to financial statements

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
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>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>
Total support and revenue	1,844,843	134,591	1,979,434
 Expenses			
Program expenses	1,668,959	--	1,668,959
General and administrative	117,004	--	117,004
Fundraising	<u>154,215</u>	<u>--</u>	<u>154,215</u>
Total expenses	<u>1,940,178</u>	<u>--</u>	<u>1,940,178</u>
 Change in net assets	 (95,335)	 134,591	 39,256
 Net assets – beginning of year	 <u>1,044,326</u>	 <u>1,943,847</u>	 <u>2,988,173</u>
 Net assets – end of year	 <u>\$ 948,991</u>	 <u>\$ 2,078,438</u>	 <u>\$ 3,027,429</u>

See notes to financial statements

Jewish Family & Children's Service of Greater Mercer County, Inc.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$(53,944)	\$ 39,256
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Bad debt expense	2,676	31,802
Discount of promises to give	(936)	(1,245)
Depreciation and amortization expense	52,739	52,692
Income on assets held by a foundation	--	(24,841)
Net unrealized gain on investments	(31,831)	(78,604)
Change in operating assets and liabilities:		
(Increase) decrease in assets		
Accounts receivable, net	(63,646)	(28,218)
Grants receivable	48,922	(64,531)
Bequests receivable	--	281,398
Prepaid expenses and other current assets	4,311	(3,803)
Pledges receivable	16,800	22,053
Loans receivable, net	(963)	2,316
Increase (decrease) in liabilities		
Accounts payable	(25,167)	(33,496)
Accrued expenses	(3,709)	2,804
Accrued payroll and payroll taxes	19,748	(22,997)
Deferred revenue	(1,650)	7,595
Deferred compensation	4,000	3,000
Net cash provided by (used in) operating activities	(32,650)	185,181
Cash flows from investing activities		
Increase in value of certificate of deposit	(24)	(29)
Investment in assets held by a foundation	(3,550)	(4,500)
Withdrawal of assets held by a foundation	100,323	57,787
Purchases of property and equipment	(1,300)	(2,520)
Net sales of investments	--	6,504
Increase in cash surrender value of life insurance	(11,000)	(10,000)
Net cash provided by investing activities	84,449	47,242
Cash flows from financing activities		
Repayment of line of credit	--	(50,000)
Net cash used in financing activities	--	(50,000)
Increase in cash	51,799	182,423
Cash at beginning of year	674,389	491,966
Cash at end of year	<u>\$ 726,188</u>	<u>\$ 674,389</u>
Reconciliation of cash		
Cash, unrestricted	\$ 325,771	\$ 282,004
Cash, restricted	400,417	392,385
Total cash	<u>\$ 726,188</u>	<u>\$ 674,389</u>

See notes to financial statements

Jewish Family & Children's Service of Greater Mercer County, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	Senior Services	Counseling Expenses	Case Management	Community Programs	Food Expenses	Total Program Expenses	General and Administrative	Fundraising	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries and wages	160,173	371,249	27,835	189,847	77,814	826,918	104,420	78,638	1,009,976
Financial assistance	259,573	--	12,645	51,871	76,512	400,601	--	--	400,601
Professional fees	7,727	81,549	1,859	12,288	2,125	105,548	46,006	5,840	157,394
Payroll taxes	12,600	29,413	2,207	15,015	6,157	65,392	8,524	6,276	80,192
Special events	--	--	--	--	--	--	--	60,874	60,874
Depreciation and amortization	15,294	11,075	3,692	13,185	4,219	47,465	5,274	--	52,739
Employee benefits	6,061	15,861	1,815	13,105	2,393	39,235	5,455	1,918	46,608
Conferences and meetings	9,601	5,778	594	16,478	2,604	35,055	847	5,199	41,101
Rent	6,007	10,624	1,341	8,500	5,033	31,505	1,915	--	33,420
Insurance	8,320	6,025	2,008	7,463	2,295	26,111	2,868	--	28,979
Advertising and marketing	1,145	885	713	2,162	227	5,132	283	19,426	24,841
Utilities	8,595	4,515	1,505	5,218	1,720	21,553	2,149	--	23,702
Printing and publishing	1,342	3,530	307	3,303	351	8,833	440	8,626	17,899
Computer software	--	421	--	617	--	1,038	--	14,483	15,521
Travel	3,212	2,621	--	6,803	974	13,610	--	52	13,662
Miscellaneous expenses	3,273	2,734	612	2,766	772	10,157	877	2,323	13,357
Payroll service	2,684	1,944	648	2,314	740	8,330	926	--	9,256
Office expense	1,913	1,775	438	2,805	902	7,833	626	200	8,659
Dues and subscriptions	977	1,107	236	942	269	3,531	337	300	4,168
Repairs and maintenance- buildings and grounds	2,305	2,184	555	2,092	1,234	8,370	793	--	9,163
Repairs and maintenance- equipment	1,299	941	314	1,120	358	4,032	448	--	4,480
Interest expense	1,084	785	262	934	299	3,364	374	--	3,738
Postage and delivery	625	432	144	540	165	1,906	206	1,144	3,256
Bad debt expense	145	418	35	1,988	40	2,626	50	--	2,676
Total expenses	\$ 513,955	\$ 555,866	\$ 59,765	\$ 361,356	\$ 187,203	\$ 1,678,145	\$ 182,818	\$ 205,299	\$ 2,066,262

See notes to financial statements

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

	Senior Services	Counseling Expenses	Case Management	Community Programs	Total Program Expenses	General and Administrative	Fundraising	Total
	\$	\$	\$	\$	\$	\$	\$	\$
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
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
Insurance	10,747	7,782	5,559	9,264	33,352	3,705	--	37,057
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
Repairs and maintenance- buildings and grounds	2,618	1,461	1,044	1,888	7,011	696	--	7,707
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- 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
Total expenses	\$ 582,329	\$ 503,376	\$ 163,095	\$ 420,159	\$ 1,668,959	\$ 117,004	\$ 154,215	\$ 1,940,178

See notes to financial statements

Jewish Family & Children's Service of Greater Mercer County, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

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 in both English and Spanish; financial assistance; kosher food pantry and food vouchers; support and family life education.

Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization uses the following classifications to distinguish among restrictions:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions may be spent for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors. Contributions with donor imposed restrictions that are met during the same year as the contribution is received are included in net assets without donor restrictions.

Net assets with donor restrictions

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

The Organization had \$1,947,395 and \$2,078,438 in net assets with donor restrictions at June 30, 2019 and 2018, respectively.

Jewish Family & Children's Service of Greater Mercer County, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note 1 – Summary of significant accounting policies (continued)

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, 2019 and 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. 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.

Revenue and support recognition

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as without or with donor restrictions according to stipulations that limit the use of these assets due to time or purpose restrictions.

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, 2019 and 2018, the Organization's accounts receivable were net of an allowance for doubtful accounts of \$4,247 and \$3,934, 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 net assets without donor restrictions unless the income or loss is restricted by donor or law.

Jewish Family & Children's Service of Greater Mercer County, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note 1 – Summary of significant accounting policies (continued)

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.

Functional expenses

The costs of providing programs and other activities are summarized in the statements of functional expenses. 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. Accordingly, certain costs have been allocated among the programs, fundraising, and general areas. Costs are allocated as follows:

- Personnel costs are allocated based on estimated time and effort between program services, management and general and fundraising.
- Rent and occupancy costs are allocated based on the percentage of space used for program services, management and general and fundraising.
- Other expenses, including programming and development are based on identification of specific costs, as well as a percentage of occupancy costs.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expense for the years ended June 30, 2019 and 2018 totaled \$24,841 and \$22,611, respectively.

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 Organization's 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, 2019 and 2018.

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.

Jewish Family & Children's Service of Greater Mercer County, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note 1 – Summary of significant accounting policies (continued)

Income taxes (continued)

The Organization did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of June 30, 2019 or 2018, 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, 2018 have been reclassified to conform to the June 30, 2019 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.

Note 2 – Adoption of new accounting pronouncement

In 2019, the Organization adopted the provisions of ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities issued by the Financial Accounting Standards Board. The Organization has adjusted the presentation of its financial statements accordingly. The new standards include the following:

- Temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- Expenses are reported in the statements of functional expenses by both their natural and functional classification.
- The financial statements include a new disclosure about liquidity and availability of financial assets (Note 13).

Note 3 – Cash and certificate 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 – Bequests 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.

Jewish Family & Children's Service of Greater Mercer County, Inc.
Notes to Financial Statements
June 30, 2019 and 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, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Gross unconditional promises to give	\$ 32,375	\$ 49,175
Less: unamortized discount	<u>--</u>	<u>(936)</u>
Net unconditional promises to give	<u>\$ 32,375</u>	<u>\$ 48,239</u>
Amounts due in:		
Less than one year	\$ 32,375	\$ 35,739
One to five years	<u>--</u>	<u>12,500</u>
Total	<u>\$ 32,375</u>	<u>\$ 48,239</u>

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 it's risk-free rate of return. The discount rates at June 30, 2019 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 Organization 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.

Jewish Family & Children's Service of Greater Mercer County, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note 6 – Fair value (continued)

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.

The following table sets forth by level, within fair value hierarchy, the Organization's assets at fair value as of June 30, 2019.

	Level 1 Quoted Prices in Active Markets	Level 2 Observable Measurement Criteria	Level 3 Unobservable Measurement Criteria	Total
Bonds	\$ 5,000	\$ --	\$ --	\$ 5,000
Beneficial interest in assets held by Foundation	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,492,223</u>
Total assets	<u>\$ 5,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,497,223</u>

The following table sets forth by level, within fair value hierarchy, the Organization'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
Beneficial interest in assets held by Foundation	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,557,165</u>
Total assets	<u>\$ 5,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,562,165</u>

Jewish Family & Children's Service of Greater Mercer County, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note 7 – Property and equipment

Property and equipment consists of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Buildings	\$ 859,759	\$ 859,760
Furniture	54,837	54,837
Equipment	261,460	260,158
Artwork	<u>4,257</u>	<u>4,257</u>
Total property and equipment	1,180,313	1,179,012
Less: accumulated depreciation	<u>(527,035)</u>	<u>(474,295)</u>
Property and equipment, net	<u>\$ 653,278</u>	<u>\$ 704,717</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$52,739 and \$52,544, 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.

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, 2019, interest of \$28,256 and principal of \$27,953 were available to be withdrawn. The value of the fund as of June 30, 2019 and 2018 was \$1,425,902 and \$1,494,877, respectively. The assets not available for current use are classified as net assets with donor restrictions.

The Organization also holds various other funds under the Foundation, the value of these funds as of June 30, 2019 and 2018 totaled \$66,321 and \$62,288, respectively.

Investment income consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 30,260	\$ 36,858
Appreciation in value of assets	31,831	78,604
Investment management fees	<u>(10,449)</u>	<u>(10,585)</u>
	<u>\$ 51,642</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 some of these loans were uncollectible and wrote them off against the allowance for doubtful accounts and bad debt expense.

Jewish Family & Children's Service of Greater Mercer County, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note 9 – Loans receivable (continued)

The activity for the years ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total loans receivable - beginning of year	\$ 900	\$ 24,206
New loans	3,000	1,600
Repayments	(175)	(3,916)
Bad debts	<u>--</u>	<u>(20,990)</u>
Total loans receivable - end of year	3,725	900
Less: allowance for doubtful accounts	<u>(1,862)</u>	<u>--</u>
Loans receivable, net	<u>\$ 1,863</u>	<u>\$ 900</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 \$115,398 at June 30, 2019. 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, 2019 and 2018.

Note 11 – Board designated net assets and cash, restricted

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Building fund	\$ 50,125	\$ 50,050
Hebrew free loans	49,372	52,134
Ongoing operations	<u>300,920</u>	<u>290,200</u>
Total	<u>\$ 400,417</u>	<u>\$ 392,384</u>

Board designated funds are included in net assets without restrictions in the accompanying financial statements.

Note 12 – Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Income used for scholarships, principal permanently restricted	\$ 17,736	\$ 17,736
Assistance to family and children	503,757	565,825
Assets held in charitable foundation - time restricted	<u>1,425,902</u>	<u>1,494,877</u>
Total net assets with donor restrictions	<u>\$ 1,947,395</u>	<u>\$ 2,078,438</u>

Jewish Family & Children's Service of Greater Mercer County, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note 12 – Net assets with donor restrictions (continued)

Net assets released from restrictions during the years ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Assistance to family and children	\$ 232,816	\$ 87,731
Assets held in charitable foundation - time restricted	<u>117,374</u>	<u>56,407</u>
Total released	<u>\$ 350,190</u>	<u>\$ 144,138</u>

Note 13 – Liquidity and availability of financial assets

The Organization manages its liquid resources by focusing on investing excess cash in investments that maximize earnings potential balanced with the amount of risk the Organization's Investment Committee has decided can be tolerated. This policy is designed to ensure adequate financial assets are available to meet general expenditures, liabilities, and other obligations as they become due.

The Organization prepares a detailed budget to ensure adequate resources to cover programs. The Organization focuses on monitoring collections of receivables and timing vendor payments to maximize the time they have access to the cash. The Organization also has a \$150,000 revolving line of credit available for short-term liquidity needs. The following reflects the Organization's financial assets available to be used for the fulfillment of payments within one year of June 30, 2019:

Cash, unrestricted	\$ 325,771
Investments	5,000
Accounts receivable, net	118,938
Grants receivable	132,843
Pledges receivable	32,375
Beneficial interests in assets held by foundation, amount available for current use	<u>56,209</u>
Total financial assets	<u>\$ 671,136</u>

While the Organization does not intend to spend from board designated funds, amounts could be made available by the board if necessary.

Note 14 – Significant customer

Approximately 14% of the Organization's revenues are derived from various contracts with Mercer County. Approximately 55% of grants receivable at June 30, 2019 are due under these contracts.

Note 15 – 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 \$16,961 and \$17,808 for the years ended June 30, 2019 and 2018, respectively.

Jewish Family & Children's Service of Greater Mercer County, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note 16 – 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.

Note 17 – Commitments

The Organization rents certain facilities under short-term rental agreements. Office equipment is leased through September 2021. Rent expense under these arrangements is not significant to the financial statements. The Organization's offices require monthly condominium fees which total approximately \$1,053 per month at June 30, 2019.

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 18 – 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% (6.25% at June 30, 2019). There were no borrowings against this line at June 30, 2019 and June 30, 2018. The line matures December 30, 2019 and is collateralized by all assets of the Organization.

Note 19 – 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 judgment in this matter. Furthermore, 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 20 – Subsequent events

The Organization evaluated subsequent events through October 3, 2019, which is the date the financial statements were available for issuance and has not noted any events to be disclosed.

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 statements of financial position as of June 30, 2019 and the related statements of activities, 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 October 3, 2019.

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.



**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, reading "Louis Pampuch, LLP". The signature is written in a cursive, flowing style.

Princeton, New Jersey
October 3, 2019

Jewish Family & Children's Service of Greater Mercer County, Inc.
Schedule of Expenditures of State and County Awards
Year Ended June 30, 2019

<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	7/1/18 - 6/30/19	\$ 26,847	\$ 25,011
Hispanic Outreach				
Outpatient Mental Health Services	2017-622	1/1/18-12/31/18	30,000	15,000
Outpatient Mental Health Services	2018-507	1/1/19-12/31/19	30,000	15,000
Early Intervention Services	2017-621	1/1/18-12/31/18	25,850	9,078
Early Intervention Services	2018-505	1/1/19-12/31/19	25,850	11,579
Latino Trauma Treatment				
Special Initiative Services	2018-138	3/1/18-12/31/18	76,000	45,600
Special Initiative Services	2018-614	1/1/19-12/31/19	76,000	38,000
Community Support Services				
East Windsor/Hightstown	2018-14	7/1/18-10/31/18	45,100	45,100
East Windsor/Hightstown	2018-14	11/1/18-10/31/19	135,300	67,650
Office of Aging				
Kosher Cafe	2017-633	1/1/18-12/31/18	25,000	6,106
Kosher Cafe	2018-569	1/1/19-12/31/20	50,000	<u>14,094</u>
Total expenditures of all awards				\$ <u>278,124</u>

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, 2019 and 2018

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, 2019, 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.