

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE

COMBINED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2016 AND 2015
AND
SUPPLEMENTARY INFORMATION
JUNE 30, 2016

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Boards of Directors
of Jewish Family & Career Services, Inc. and Affiliate:

Report on the Financial Statements

We have audited the accompanying combined financial statements of Jewish Family & Career Services, Inc. and Affiliate (nonprofit organizations) (the Organization) which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Jewish Family & Career Services, Inc. and Affiliate as of June 30, 2016 and 2015, and the changes in its combined net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
October 27, 2016

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents, including \$3,801,386 (2016) and \$483,428 (2015) restricted for Capital Campaign purposes	\$ 4,616,903	\$ 1,472,046
Grants and accounts receivable	583,421	507,268
Promises to give, net of allowance for doubtful accounts of \$8,713 and \$21,010	2,427,494	2,597,057
Capital Campaign promises to give, net	1,651,546	2,173,070
Prepaid expenses and other assets	182,546	195,035
Agency investments	434,983	1,368,616
Foundation investments	3,994,247	4,371,462
Property and equipment, net	<u>5,739,330</u>	<u>5,323,103</u>
 Total assets	 <u>\$ 19,630,470</u>	 <u>\$ 18,007,657</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 375,758	\$ 180,016
Deferred compensation	324,314	1,238,155
Deferred revenue	22,146	15,721
Note payable and capital lease obligations	<u>404,618</u>	<u>473,350</u>
 Total liabilities	 <u>1,126,836</u>	 <u>1,907,242</u>
Net assets:		
Unrestricted	6,172,348	6,240,997
Temporarily restricted	9,710,443	7,241,742
Permanently restricted	<u>2,620,843</u>	<u>2,617,676</u>
Total net assets	<u>18,503,634</u>	<u>16,100,415</u>
 Total liabilities and net assets	 <u>\$ 19,630,470</u>	 <u>\$ 18,007,657</u>

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

**JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTAL FOR 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016</u>	<u>Total 2015</u>
Revenues and support:					
Public support:					
Jewish Federation of Greater Atlanta	\$ -	\$ 1,459,271	\$ -	\$ 1,459,271	\$ 1,440,851
United Way Services funding	40,721	520,365	-	561,086	554,554
Federal awards	286,382	-	-	286,382	217,242
Grants	-	2,191,092	-	2,191,092	2,530,647
Contributions	244,266	596,336	-	840,602	976,492
Annual giving campaign	1,056,326	-	-	1,056,326	1,305,932
Capital campaign pledges and contributions	-	3,524,531	-	3,524,531	2,941,918
Ben Massell Dental Clinic and other contributed services	1,920,074	-	-	1,920,074	1,916,927
Donated equipment	-	-	-	-	5,000
Special events, net of related expenses of \$64,661 (2016) and \$66,702 (2015)	205,647	-	-	205,647	206,052
Net assets released from restrictions:					
Satisfaction of program restrictions	3,741,352	(3,741,352)	-	-	-
Satisfaction of timing and other restrictions:					
Jewish Federation funding	1,440,851	(1,440,851)	-	-	-
United Way Services funding	503,163	(503,163)	-	-	-
Transfers	(3,167)	-	3,167	-	-
Total support	<u>9,435,615</u>	<u>2,606,229</u>	<u>3,167</u>	<u>12,045,011</u>	<u>12,095,615</u>
Other revenue:					
Program services	3,596,533	-	-	3,596,533	4,214,640
Investment income (loss)	(40,449)	(137,528)	-	(177,977)	101,076
Other revenues	98,435	-	-	98,435	81,581
Total other revenue	<u>3,654,519</u>	<u>(137,528)</u>	<u>-</u>	<u>3,516,991</u>	<u>4,397,297</u>
Total revenues and support	<u>13,090,134</u>	<u>2,468,701</u>	<u>3,167</u>	<u>15,562,002</u>	<u>16,492,912</u>
Expenses:					
Program Services:					
Aviv Older Adult Services	2,048,527	-	-	2,048,527	2,102,827
Counseling/Child and Adolescent Services	2,118,161	-	-	2,118,161	2,001,776
Careers	491,336	-	-	491,336	604,617
Intellectual and Developmental					
Disabilities Services	3,435,434	-	-	3,435,434	3,467,030
Ben Massell Dental Clinic	2,889,858	-	-	2,889,858	3,063,693
Total program services	<u>10,983,316</u>	<u>-</u>	<u>-</u>	<u>10,983,316</u>	<u>11,239,943</u>
Supporting Services:					
Management and general	1,105,088	-	-	1,105,088	1,265,541
Fundraising	1,070,379	-	-	1,070,379	810,815
Total supporting services	<u>2,175,467</u>	<u>-</u>	<u>-</u>	<u>2,175,467</u>	<u>2,076,356</u>
Total expenses	<u>13,158,783</u>	<u>-</u>	<u>-</u>	<u>13,158,783</u>	<u>13,316,299</u>
Change in net assets	(68,649)	2,468,701	3,167	2,403,219	3,176,613
Net assets, beginning of year	6,240,997	7,241,742	2,617,676	16,100,415	12,923,802
Net assets, end of year	<u>\$ 6,172,348</u>	<u>\$ 9,710,443</u>	<u>\$ 2,620,843</u>	<u>\$ 18,503,634</u>	<u>\$ 16,100,415</u>

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

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015
Revenues, gains and support:				
Public support:				
Jewish Federation of Greater Atlanta	\$ -	\$ 1,440,851	\$ -	\$ 1,440,851
United Way Services funding	51,391	503,163	-	554,554
Federal awards	217,242	-	-	217,242
Grants	-	2,530,647	-	2,530,647
Contributions	261,503	712,042	2,947	976,492
Annual giving campaign	1,305,932	-	-	1,305,932
Capital campaign pledges and contributions	-	2,941,918	-	2,941,918
Ben Massell Dental Clinic and other contributed services	1,916,927	-	-	1,916,927
Donated equipment	5,000	-	-	5,000
Special events, net of related expenses of \$66,702	206,052	-	-	206,052
Net assets released from restrictions:				
Satisfaction of program restrictions	3,144,954	(3,144,954)	-	-
Satisfaction of timing and other restrictions:				
Jewish Federation funding	1,420,904	(1,420,904)	-	-
United Way Services funding	526,507	(526,507)	-	-
Transfers	-	27,913	(27,913)	-
Total support	9,056,412	3,064,169	(24,966)	12,095,615
Other revenue and gains:				
Program services	4,214,640	-	-	4,214,640
Investment income	17,842	83,234	-	101,076
Other revenues	81,581	-	-	81,581
Total other revenue and gains	4,314,063	83,234	-	4,397,297
Total revenues, gains and support	13,370,475	3,147,403	(24,966)	16,492,912
Expenses:				
Program Services:				
Aviv Older Adult Services	2,102,827	-	-	2,102,827
Counseling/Child and Adolescent Services	2,001,776	-	-	2,001,776
Careers	604,617	-	-	604,617
Intellectual and Developmental				
Disabilities Services	3,467,030	-	-	3,467,030
Ben Massell Dental Clinic	3,063,693	-	-	3,063,693
Total program services	11,239,943	-	-	11,239,943
Supporting Services:				
Management and general	1,265,541	-	-	1,265,541
Fundraising	810,815	-	-	810,815
Total supporting services	2,076,356	-	-	2,076,356
Total expenses and losses	13,316,299	-	-	13,316,299
Change in net assets	54,176	3,147,403	(24,966)	3,176,613
Net assets, beginning of year	6,186,821	4,094,339	2,642,642	12,923,802
Net assets, end of year	\$ 6,240,997	\$ 7,241,742	\$ 2,617,676	\$ 16,100,415

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

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Aviv Older Adult Services	Counseling/Child and Adolescent Services	Careers	Intellectual and Developmental Disabilities Services	Ben Massell Dental Clinic	Total Program	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 949,250	\$ 1,170,818	\$ 361,636	\$ 2,117,483	\$ 482,657	\$ 5,081,844	\$ 607,432	\$ 596,238	\$ 6,285,514
Payroll benefits and payroll taxes	165,460	171,734	62,530	354,523	79,567	833,814	91,335	108,752	1,033,901
Total personnel costs	1,114,710	1,342,552	424,166	2,472,006	562,224	5,915,658	698,767	704,990	7,319,415
Annual Campaign costs	-	-	-	-	-	-	31	100,924	100,955
Bad debt expense	10,924	-	2,305	3,044	-	16,273	2,947	-	19,220
Building occupancy, repairs and maintenance	26,447	56,274	8,091	85,477	62,636	238,925	16,291	13,247	268,463
Client assistance	701,247	457,479	10,653	323,616	1,496	1,494,491	-	-	1,494,491
Conferences and meetings	5,234	7,647	548	13,370	2,712	29,511	22,998	935	53,444
Dues and subscriptions	930	1,063	225	5,795	2,219	10,232	13,179	-	23,411
Information technology	32,338	33,374	9,122	63,100	14,998	152,932	20,907	15,010	188,849
In-kind professional fees	-	-	-	-	1,905,796	1,905,796	14,278	-	1,920,074
Insurance and taxes	26,520	27,582	8,272	77,579	11,359	151,312	15,290	13,544	180,146
Marketing and advertising	7,099	9,557	3,587	20,232	4,567	45,042	111,628	1,483	158,153
Other	442	459	138	4,701	187	5,927	1,240	225	7,392
Postage	4,942	2,260	459	3,619	1,263	12,543	3,869	8,288	24,700
Professional fees	41,804	78,740	4,843	59,065	42,476	226,928	142,602	178,333	547,863
Supplies	39,889	64,457	9,665	54,000	96,490	264,501	18,838	18,298	301,637
Telephone	11,787	11,884	2,614	36,142	12,412	74,839	9,801	4,427	89,067
Transportation	7,317	3,992	211	158,089	371	169,980	1,610	80	171,670
Total expenses before depreciation	2,031,630	2,097,320	484,899	3,379,835	2,721,206	10,714,890	1,094,276	1,059,784	12,868,950
Depreciation	16,897	20,841	6,437	55,599	168,652	268,426	10,812	10,595	289,833
Total expenses	\$ 2,048,527	\$ 2,118,161	\$ 491,336	\$ 3,435,434	\$ 2,889,858	\$ 10,983,316	\$ 1,105,088	\$ 1,070,379	\$ 13,158,783
Percentage of Total	16%	17%	4%	26%	22%	84%	8%	8%	100%

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

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Aviv Older Adult Services	Counseling/Child and Adolescent Services	Careers	Intellectual and Developmental Disabilities Services	Ben Massell Dental Clinic	Total Program	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 1,161,132	\$ 1,185,990	\$ 401,083	\$ 2,190,060	\$ 490,933	\$ 5,429,198	\$ 771,772	\$ 440,012	\$ 6,640,982
Payroll benefits and payroll taxes	201,012	164,548	62,808	366,855	84,964	880,187	101,823	70,642	1,052,652
Total personnel costs	1,362,144	1,350,538	463,891	2,556,915	575,897	6,309,385	873,595	510,654	7,693,634
Annual Campaign costs	-	-	-	-	-	-	75	114,604	114,679
Capital Campaign costs	-	-	-	-	-	-	-	108,232	108,232
Bad debt expense	719	-	-	-	-	719	7,123	-	7,842
Building occupancy, repairs and maintenance	23,844	59,667	12,791	73,428	57,291	227,021	25,341	14,029	266,391
Client assistance	537,577	328,433	25,718	323,913	140	1,215,781	-	-	1,215,781
Conferences and meetings	3,464	7,791	356	10,646	2,981	25,238	45,421	2,635	73,294
Dues and subscriptions	1,006	954	2,819	8,900	806	14,485	15,109	-	29,594
Information technology	30,244	41,376	15,984	56,293	31,393	175,290	32,506	17,910	225,706
In-kind professional fees	-	-	-	-	1,904,102	1,904,102	12,825	-	1,916,927
Insurance and taxes	22,265	29,697	12,002	61,430	13,846	139,240	19,453	13,167	171,860
Marketing and advertising	5,172	13,200	591	17,792	5,237	41,992	70,267	126	112,385
Other	109	146	59	12,453	68	12,835	2,448	65	15,348
Postage	4,719	1,594	1,004	2,189	1,158	10,664	4,990	7,206	22,860
Professional fees	35,518	88,380	49,002	69,299	20,155	262,354	109,227	-	371,581
Supplies	36,269	47,853	9,661	59,998	112,495	266,276	20,628	11,469	298,373
Telephone	8,032	5,669	1,475	21,168	9,668	46,012	7,854	2,028	55,894
Transportation	9,049	3,296	1,424	123,374	448	137,591	3,594	89	141,274
Total expenses before depreciation	2,080,131	1,978,594	596,777	3,397,798	2,735,685	10,788,985	1,250,456	802,214	12,841,655
Depreciation	22,696	23,182	7,840	69,232	328,008	450,958	15,085	8,601	474,644
Total expenses	\$ 2,102,827	\$ 2,001,776	\$ 604,617	\$ 3,467,030	\$ 3,063,693	\$ 11,239,943	\$ 1,265,541	\$ 810,815	\$ 13,316,299
Percentage of Total	16%	15%	5%	26%	23%	84%	10%	6%	100%

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

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,403,219	\$ 3,176,613
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	289,833	474,644
Net realized and unrealized (gains) losses on investments	278,394	(2,983)
Donated equipment	-	(5,000)
Contributions restricted for permanent endowment	-	(2,947)
Promises to give restricted for Capital Campaign	(3,524,531)	(2,941,918)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants and accounts receivable	(76,153)	65,727
Promises to give, net	169,563	40,172
Prepaid expenses and other assets	12,489	(14,651)
Increase (decrease) in:		
Accounts payable and accrued expenses	167,704	(8,265)
Deferred compensation	28,038	(9,173)
Deferred revenue	6,425	(4,101)
Total adjustments	<u>(2,648,238)</u>	<u>(2,408,495)</u>
Net cash provided by (used in) operating activities	<u>(245,019)</u>	<u>768,118</u>
Cash flows from investing activities:		
Sales of investments	3,063,194	3,557,440
Purchases of investments	(2,944,581)	(3,377,470)
Purchase of property and equipment	(706,060)	(364,113)
Net cash used in investing activities	<u>(587,447)</u>	<u>(184,143)</u>
Cash flows from financing activities:		
Collections on Capital Campaign promises to give	4,046,055	775,877
Contributions restricted for permanent endowment	-	2,947
Payments on note payable and capital lease obligations	(68,732)	(56,525)
Net cash provided by financing activities	<u>3,977,323</u>	<u>722,299</u>
Net increase in cash and cash equivalents	3,144,857	1,306,274
Cash and cash equivalents, beginning of year	<u>1,472,046</u>	<u>165,772</u>
Cash and cash equivalents, end of year	<u>\$ 4,616,903</u>	<u>\$ 1,472,046</u>
Supplemental disclosure of cash flow information:		
Non-cash addition to equipment under capital lease	\$ -	\$ 63,812
Interest paid	<u>\$ 3,351</u>	<u>\$ 2,246</u>

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

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies

Jewish Family & Career Services, Inc. (the Agency) was incorporated in 1997 as a result of a merger between Jewish Family Services, Inc. and Jewish Vocational Services, Inc. JF&CS Foundation, Inc. (the Foundation) receives and administers funds for the exclusive benefit and support of Jewish Family & Career Services, Inc. Together, Jewish Family & Career Services, Inc. and JF&CS Foundation, Inc. are referred to as the Organization.

The Organization is a private, nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code, whose purpose is to provide health, career, and human services to support and enhance the well-being of individuals and families across all ages, faiths, cultures and lifestyles. JF&CS Foundation, Inc. is further categorized as a Type 1 supporting organization under Section 509(a)(3) of the Internal Revenue Code.

Principles of Combination

The combined financial statements include the accounts of Jewish Family & Career Services, Inc. and JF&CS Foundation, Inc. All significant intercompany accounts and transactions have been eliminated in combination.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Totals

Comparative totals included in the 2016 combined statements of activities should be read in conjunction with the 2015 combined financial statements from which the summarized information was derived.

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies – Continued

Method of Reporting and Financial Statement Presentation

The Organization maintains its accounts on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions, as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. Items that affect (i.e., increase or decrease) this net asset category include program service fees and related expenses associated with the core activities of the Organization. Changes to this category of net assets also include investment income and unrestricted contributions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization or the passage of time. These amounts are reclassified to unrestricted net assets when such restrictions are met or have expired.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions to be maintained permanently by the Organization. Items that affect this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment) and only the income, as defined by the Organization's investment policy, be made available for program operations or other purposes as specified by the donor.

Promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of donor restrictions.

Cash and Cash Equivalents and Concentration of Credit

Cash and cash equivalents includes cash restricted for Capital Campaign purposes (as more further described in Note 3); such restricted cash was presented separately in previously issued financial statements. The Organization considers all short-term, interest-bearing deposits with original maturities of three months or less to be cash equivalents.

Cash and cash equivalents include demand deposit accounts. Balances in the Organization's demand deposit accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured balances in the demand deposit accounts as of June 30, 2016 and 2015 totaled \$4,491,814 and \$1,422,086, respectively. Management believes that cash and investments are maintained at financial institutions with high credit ratings that would, under normal circumstances, carry a low risk of potential loss.

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies – Continued

Grants and Accounts Receivable

Reimbursements to be received under contracts with Federal grantors are recorded as revenue when the related expenditures are incurred. Reimbursements are based on actual expenditures or cost per unit of service arrangements. Grants and accounts receivable represent amounts due for such expenditures incurred prior to year-end. Management believes grants and accounts receivable are fully collectible as of June 30, 2016 and 2015.

Promises to Give

Promises to give are recognized as revenues in the period the unconditional promise is made at their estimated fair value less an appropriate allowance for uncollectible amounts. Promises to give over more than one year are recorded at their discounted present value. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices with all related gains and losses reported in the statements of activities.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Property and equipment are stated at cost or estimated fair value at time of donation. Depreciation is computed by the straight-line method over the estimated useful lives as stated below:

Buildings and improvements	10 - 40 years
Furniture, fixtures and equipment	3 - 7 years
Vehicles	5 years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization's management identified no indicators of impairment of property and equipment as of June 30, 2016 and 2015.

Deferred Revenue

Deferred revenue primarily represents fees received for services to be performed in the subsequent year.

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies – Continued

Ben Massell Dental Clinic Contributed Services

The Organization operates the Ben Massell Dental Clinic (BMDC) which provides quality dental care at no cost to Atlanta's neediest population. BMDC provided 21,866 and 20,210 procedures to patients with a fair market value of approximately \$5,445,000 and \$5,440,000 during the years ended June 30, 2016 and 2015, respectively.

BMDC's procedures are solely provided by volunteer dentists. Such non-cash gifts of services (and corresponding offsetting expenses) are recorded at their estimated fair value, as such services are provided by individuals possessing specialized skills that would need to be purchased if not provided by donation. For the years ended June 30, 2016 and 2015, such volunteer services had an aggregate estimated fair value of \$1,905,796 and \$1,904,101, respectively. Such fair value is based on the estimated value of the service if provided at a private dental practice less an estimate for overhead at such practice.

Income Taxes

The Organization is a nonprofit organization exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2016 and 2015, the Organization did not have any unrelated business income, and accordingly, no unrelated business income tax. The Organization's income tax returns are subject to examination by the appropriate regulatory authorities for all open years, which typically include the last three years filed.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Subsequent Event

Subsequent events have been evaluated through October 27, 2016, which is the date the financial statements were available to be issued. There were no significant subsequent events.

JEWISH FAMILY & CAREER SERVICES, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. Promises to Give, Net

Jewish Federation and United Way Service promises to give are always received within the next fiscal year. Annual promises to give are receivable within one to five years from the date of donation. Promises to give at June 30 are as follows:

	<u>2016</u>	<u>2015</u>
Jewish Federation promise to give	\$ 1,459,271	\$ 1,440,851
United Way Services promise to give	520,365	503,163
Unrestricted annual promises to give	<u>447,858</u>	<u>653,043</u>
	<u>\$ 2,427,494</u>	<u>\$ 2,597,057</u>

Unrestricted annual promises to give above are expected to be collected as follows:

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 395,477	\$ 600,662
Due within two to five years	55,000	55,000
Less present value discount of 5%	<u>(2,619)</u>	<u>(2,619)</u>
	<u>\$ 447,858</u>	<u>\$ 653,043</u>

3. Capital Campaign Promises to Give, Net

During 2014, the Organization embarked on a \$5.1 million Capital Campaign to complete its campus in Dunwoody, Georgia. Gross pledges to the campaign total approximately \$6,562,000 as of June 30, 2016, of which the Agency expects to receive approximately \$6,527,000. Approximately \$4,875,000 of these pledges have been received as of June 30, 2016. Capital campaign promises to give consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 924,062	\$ 1,108,343
Due within two to five years	788,945	1,161,991
Less present value discount of 5%	<u>(61,461)</u>	<u>(97,264)</u>
	<u>\$ 1,651,546</u>	<u>\$ 2,173,070</u>

Fundraising expenses incurred for the Capital Campaign were \$56,376 and \$108,232 for the years ended June 30, 2016 and 2015, respectively.

JEWISH FAMILY & CAREER SERVICES, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

4. Investments

Agency Investments

The Agency maintains investments primarily associated with deferred compensation plans as further described in Note 6. These plans establish parameters as to how their assets are to be invested.

Foundation Investments

The Foundation owns all of the Organization's endowment funds. The Board of Directors of JF&CS Foundation has adopted an Investment Policy for the purpose of providing general guidelines for the prudent management of its investments. The JF&CS Foundation Board has fiduciary responsibility for directing and monitoring the investment management of the assets and is authorized to establish relationships and delegate responsibilities to a third party to manage the assets. The JF&CS Foundation Board has delegated day-to-day management responsibility to an external professional investment manager.

To satisfy the long-term objectives of JF&CS Foundation, the Investment Policy has various asset allocation guidelines. The target allocations are intended to represent long term averages based on the overall risk level the Foundation is willing take with respect to the portfolio, the intent being that current allocations be determined by the investment advisor within certain parameters and approved by the Foundation Board. The JF&CS Foundation Board reviews these allocation percentages periodically.

The JF&CS Foundation Board meets on a quarterly basis with the external professional investment manager to review asset performance results, comparable benchmark results, plan reports, asset allocation, appropriateness of plan assets and any other related issues. The Investment Policy is reviewed at least annually to determine whether it is still appropriate.

The JF&CS Foundation Board determines the amount to be made available annually to meet the needs of and be spent by Jewish Family & Career Services. The annual amount expected to be made available is approximately 5% of the total asset value, however, the JF&CS Foundation Board has the discretion to adjust this amount as needed based on market conditions. Amounts made available are in line with each donor's intent, a written donor agreement, or the charitable mission of Jewish Family & Career Services. No funds may be used to further any personal interests of any related party to the Organization. For the years ended June 30, 2016 and 2015, the Foundation incurred investment expenses of approximately \$32,000 and \$33,000, respectively.

JEWISH FAMILY & CAREER SERVICES, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

4. Investments – Continued

Investment Assets

The Organization classifies its investment assets using a hierarchy of inputs to fair value measurements in accordance with professional standards, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology that are derived principally from or corroborated by observable market data:

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

Level 3 – Inputs that are unobservable and significant to the overall fair value measurement.

The asset's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's direct investments in equity and fixed income securities consist primarily of investments in exchange-traded companies, mutual funds or bond funds. Accordingly, the Organizations' direct investments in equity and fixed income investments are Level 1 securities. The Organization values all other securities at prices provided by its investment manager, which obtains such pricing from recognized pricing services. Such services generally provide daily asset pricing and are verified by the investment manager by reference to a secondary pricing source. Accordingly, a portion of the Organization's other investments are classified as Level 2 investments. None of the Organization's investments are Level 3 investments.

<u>Agency Investments</u>	<u>Fair Value Hierarchy</u>	<u>2016</u>	<u>2015</u>
Money market funds	2	\$ 16,160	\$ 24,833
Equity mutual funds	1	354,101	826,583
Equities	1	64,722	456,122
Bond funds and corporate bonds	1	-	55,653
Broad commodity funds	1	-	5,425
Total Agency investments		<u>\$ 434,983</u>	<u>\$ 1,368,616</u>

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

4. Investments – Continued

Investment Assets – Continued

<u>Foundation Investments</u>	<u>Fair Value Hierarchy</u>	<u>2016</u>	<u>2015</u>
Money market funds	2	\$ 204,668	\$ 290,790
Individual common stocks	1	619,440	431,745
Equity mutual funds:			
Large cap	1	1,125,811	942,177
Mid cap	1	184,493	714,074
Small cap blend	1	219,621	162,180
International	1	758,817	1,095,358
Fixed Income:			
Short term bond fund	1	421,806	317,266
Other	1	376,783	403,835
Other investments	1	82,808	14,037
Total Foundation investments		<u>\$ 3,994,247</u>	<u>\$ 4,371,462</u>

Investment income consists of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 100,417	\$ 98,093
Realized gain	20,826	3,459
Unrealized gain (loss)	<u>(299,220)</u>	<u>(476)</u>
Investment income (loss)	<u>\$ (177,977)</u>	<u>\$ 101,076</u>

JEWISH FAMILY & CAREER SERVICES, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

5. Property and Equipment, Net

Property and equipment consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Land and building	\$ 3,282,601	\$ 3,282,601
Land and building - main campus	2,716,605	2,716,605
Leasehold improvements	807,407	792,858
Office equipment and furniture	1,089,241	1,083,825
Dental equipment and furniture	1,655,716	1,655,716
Vehicles	475,963	475,963
Construction in progress	934,675	248,580
	<u>10,962,208</u>	<u>10,256,148</u>
Less accumulated depreciation for all other assets	<u>(5,222,878)</u>	<u>(4,933,045)</u>
Property and equipment, net	<u>\$ 5,739,330</u>	<u>\$ 5,323,103</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$289,833 and \$474,644, respectively.

6. Deferred Compensation

The Organization maintains a deferred compensation plan under Internal Revenue Code Section 457(b) for a select group of management or highly compensated employees. Eligible employees may elect to make pre-tax deferrals into this plan up to Internal Revenue Service contribution limits. All compensation deferred under this plan and all investments purchased with such deferrals are owned by the Organization until distributed to the employee. The amount of such liability at June 30, 2016 and 2015 is \$324,314 and \$342,270, respectively.

The Organization had a deferred compensation agreement with a former chief executive officer (CEO) that provided benefits payable at the earlier of age 66, retirement, death, total disability, or severance from the Organization. The amount of such liability at June 30, 2015 was \$895,885. This former CEO retired in July 2015 and the Organization's liability under the plan was satisfied in January 2016. Agency investments which funded this plan (as discussed in Note 4) were also liquidated at that time.

JEWISH FAMILY & CAREER SERVICES, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

7. Line of Credit

The Organization has a line of credit with a maximum amount available of \$600,000 that is secured by property owned by the Organization and is due on demand. The Organization is required to pay down any outstanding balance under this line to a maximum of \$100 for 30 consecutive days annually. The line of credit accrues interest at the Bank's Prime Rate (3.5% as of June 30, 2016) plus .5% with a floor of 5%. There was no amount due on the line of credit as of June 30, 2016 and 2015. This line of credit agreement expires in March 2018.

In March of 2016, the Organization entered into a construction line of credit with a maximum borrowing amount of \$4,000,000 that is secured by property owned by the Organization, bears interest at a fixed rate of 4.65%, and expires in March 2022. Borrowings under this line are required to be paid down to certain minimum levels annually. No borrowings have been made on this line through October 13, 2016.

8. Note Payable and Capital Lease Obligations

The Organization leased its corporate office building and phone equipment under agreements that allow the Organization to purchase the related assets for a significantly reduced amount (less than \$1,000) on expiration of the leases. These agreements were accounted for as capital leases. The building and phone equipment leases were capitalized based upon interest rates of 6% and 4.6%, respectively. However, payments under the building lease varied based on LIBOR (up to a maximum of 6%). Accumulated depreciation for the building and phone equipment totaled \$720,785 and \$665,903 as of June 30, 2016 and 2015, respectively. Depreciation expense for the building and phone equipment was \$54,882 and \$55,734 for the years ended June 30, 2016 and 2015, respectively.

During the year ended June 30, 2016, the Organization exchanged the office building capital lease for an unsecured note payable. As part of the exchange, the property subject to the office capital lease was conveyed to the Organization. The note payable has (1) similar interest and repayment terms as the previous capital lease agreement and (2) requires the Organization to remit a portion of the proceeds from the sale of the property under the former capital lease to the noteholder should such property be sold prior to 2026.

JEWISH FAMILY & CAREER SERVICES, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

8. Note Payable and Capital Lease Obligations – Continued

Contractual future principal payments under this note payable and the phone equipment capital lease for each of the next six years are as follows:

<u>Year Ending June 30:</u>	<u>Note Payable</u>	<u>Capital Lease</u>	<u>Total</u>
2017	\$ 60,494	\$ 14,311	\$ 74,805
2018	64,225	14,311	78,536
2019	68,186	14,311	82,497
2020	72,392	10,733	83,125
2021	76,857	-	76,857
2022	13,260	-	13,260
Total minimum note payable and lease payments	<u>355,414</u>	<u>53,666</u>	<u>409,080</u>
Less amount representing interest	<u>-</u>	<u>(4,462)</u>	<u>(4,462)</u>
Note payable and capital lease obligation	<u>\$ 355,414</u>	<u>\$ 49,204</u>	<u>\$ 404,618</u>

9. Operating Lease Obligations

The Organization has several non-cancelable operating leases, primarily for leased vehicles and equipment. Future minimum lease payments under non-cancelable operating leases are as follows:

<u>Year Ending June 30:</u>	
2017	\$ 26,964
2018	29,370
2019	29,370
2020	17,030
2021	<u>2,406</u>
Total minimum lease payments	<u>\$ 105,140</u>

Total rent expense for operating leases was approximately \$84,000 and \$82,000 for the years ended June 30, 2016 and 2015, respectively.

JEWISH FAMILY & CAREER SERVICES, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

10. Unrestricted Net Assets

Unrestricted net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Expended for property and equipment, net of accumulated depreciation, capital lease obligation and note payable	\$ 5,334,712	\$ 4,849,753
Available for operations	<u>837,636</u>	<u>1,391,244</u>
Total unrestricted net assets	<u>\$ 6,172,348</u>	<u>\$ 6,240,997</u>

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of funds the Organization has received subject to donor imposed restrictions. Temporarily restricted net assets are available for the following purposes or time at June 30:

	<u>2016</u>	<u>2015</u>
Jewish Federation funding	\$ 1,459,271	\$ 1,440,851
United Way Services funding	520,365	503,163
Capital Campaign - Campus Project	5,452,932	2,656,498
Ben Massell Dental Clinic	77,843	103,325
Aviv Older Adult Services	21,973	148,312
Adoption Services	131,176	148,007
Counseling/Child and Adolescent Services	189,870	229,360
Intellectual and Developmental Disabilities Services	177,491	284,728
Building/general and administrative	323,844	301,085
Community Human Services	5,260	37,038
Passover and emergency assistance	374,490	347,899
Grants restricted for use in the subsequent year	<u>975,928</u>	<u>1,041,476</u>
Total temporarily restricted net assets	<u>\$ 9,710,443</u>	<u>\$ 7,241,742</u>

During the years ended June 30, 2016 and 2015, certain net assets were released from donor restrictions by satisfying time and/or program restrictions specified by donors. Total satisfaction of program restrictions was as follows:

	<u>2016</u>	<u>2015</u>
Grants	\$ 2,256,640	\$ 2,065,278
Passover and emergency assistance	305,638	193,129
Capital Campaign purposes	739,547	285,420
Other	<u>439,527</u>	<u>601,127</u>
Total satisfaction of program restrictions	<u>\$ 3,741,352</u>	<u>\$ 3,144,954</u>

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

12. Permanently Restricted Net Assets and Endowment Funds

JF&CS Foundation follows the requirements of Georgia’s Uniform Prudent Management of Institutional Funds Act (the “Act”). The Foundation is required to evaluate the gift instrument and related information to determine the directions and intentions of the donor. The Foundation classifies gifts that are not immediately expendable as either temporarily or permanently restricted, depending on the restrictions that the donor has imposed. As a result, JF&CS Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Unless otherwise stated in the donor agreement, earnings on permanent endowments are classified as temporarily restricted for the purpose specified by the donor until those funds are approved to be spent.

Permanently restricted net assets are comprised of the corpus of investments subject to donor imposed restrictions. Income from these investments may be expended to support the following activities at June 30:

	2016	2015
Aviv Older Adult Services	\$ 921,166	\$ 917,999
Adoption Services	25,000	25,000
Counseling/Child and Adolescent Services	27,065	27,065
Intellectual and Developmental Disabilities Services	550,000	550,000
Ben Massell Dental Clinic	591,852	591,852
Community Human Service Endowment - donor directs the use of income for various programs as needs change	505,760	505,760
Total permanently restricted net assets	\$ 2,620,843	\$ 2,617,676

All funds held by JF&CS Foundation, Inc. were established by gifts or bequests to provide a source of future income generally for specific purposes and are therefore considered endowment funds for financial reporting purposes. Jewish Family & Career Services, Inc. does not maintain any endowment funds but rather receives numerous grants and contributions from various funders generally to be used for Organization combined activities within the upcoming year.

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

12. Permanently Restricted Net Assets and Endowment Funds – Continued

All endowment funds are held at the Foundation. Endowment funds by net assets category consisted of the following as of June 30, 2016 and 2015:

2016	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, beginning of year	\$ 501,931	\$ 1,251,855	\$ 2,617,676	\$ 4,371,462
Contributions/transfers	16,000	105,468	3,167	124,635
Investment income	18,677	81,741	-	100,418
Net appreciation (depreciation) of investments	(58,204)	(219,267)	-	(277,471)
Appropriation of endowment assets for expenditure	(32,457)	(292,340)	-	(324,797)
Endowment funds, end of year	<u>\$ 445,947</u>	<u>\$ 927,457</u>	<u>\$ 2,620,843</u>	<u>\$ 3,994,247</u>
<u>2015</u>				
Endowment funds, beginning of year	\$ 515,523	\$ 1,378,667	\$ 2,642,642	\$ 4,536,832
Contributions/transfers	7,208	83,710	2,947	93,865
Investment income	16,235	81,858	-	98,093
Net appreciation (depreciation) of investments	(375)	1,377	-	1,002
Appropriation of endowment assets for expenditure	(36,660)	(293,757)	(27,913)	(358,330)
Endowment funds, end of year	<u>\$ 501,931</u>	<u>\$ 1,251,855</u>	<u>\$ 2,617,676</u>	<u>\$ 4,371,462</u>

13. Contingencies

Certain federally funded programs are routinely subject to special audit. Such federal agencies have the authority to determine liabilities as well as to limit, suspend, or terminate the federal programs. Since the Organization does not expect claims to arise as a result of such audits, no provision for liabilities, if any, has been provided in the Organization's combined financial statements.

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

14. Employee Benefit Plan

The Organization maintains a 401(k) plan and matches 100% of the first 3% contributed by eligible employees and 50% of the next 2% contributed by eligible employees to the plan. Contributions for the years ended June 30, 2016 and June 30, 2015 totaled approximately \$166,000 and \$157,000, respectively.

15. Change in Net Assets

The total change in net assets, excluding non-cash depreciation expense is detailed below.

	<u>2016</u>	<u>2015</u>
Total change in net assets per Statement of Activities	\$ 2,403,219	\$ 3,176,613
Plus depreciation expense	<u>289,833</u>	<u>474,644</u>
Change in net assets, excluding depreciation expense	<u><u>\$ 2,693,052</u></u>	<u><u>\$ 3,651,257</u></u>

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE

OTHER INFORMATION AS REQUIRED BY
THE STATE OF GEORGIA
DEPARTMENT OF HUMAN SERVICES
AND GRANTOR AGENCY



INDEPENDENT AUDITOR'S REPORT
ON OTHER INFORMATION

To the Board of Directors
of Jewish Family & Career Services, Inc. and Affiliate:

We have audited the combined financial statements of Jewish Family & Career Services, Inc. and Affiliate for the years ended June 30, 2016 and 2015 and have issued our report thereon dated October 27, 2016. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The following schedules of state contractual assistance and other contractual assistance for the year ended June 30, 2016 are presented for the purposes of additional analysis and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
October 27, 2016

JEWISH FAMILY & CAREER SERVICES, INC.
 AND AFFILIATE
 SCHEDULE OF STATE CONTRACTUAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2016

State Contract Number	Award	Expenditures	Cash Receipts	Due From State Agency	Contract Dates
Passed through Atlanta Regional Commission:					
National Family Caregiver Support-State	\$ 1,354	\$ 1,354	\$ -	\$ 1,354	7/1/15 - 6/30/16
Passed through Georgia Department of Community Health					
Georgia charitable Care Network	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	8/21/15-6/30/16

See Independent Auditor's Report on Other Information.

JEWISH FAMILY & CAREER SERVICES, INC.
AND AFFILIATE
SCHEDULE OF OTHER CONTRACTUAL ASSISTANCE
REVIEWED DURING THE AUDIT
FOR THE YEAR ENDED JUNE 30, 2016

Conference on Jewish Material Claims Against Germany, Inc.

Claims Conference In-Home Services Program

<u>Fund</u>	<u>Application Number</u>	<u>Award Amount</u>	<u>Expenditures</u>	<u>Contract Dates</u>
2015 calendar year grants:				
SO45	16470	\$ 58,807	\$ 58,807	1/1/15-12/31/15
GG17	16729	\$ 485,518	\$ 485,518	1/1/15-12/31/15
GG17	17594	\$ 18,396	\$ 18,396	1/1/15-12/31/15

During the performance of our audit procedures for the years ending June 30, 2016 and 2015, we determined that these funds were applied exclusively for the purposes for which they were granted during the contract dates of the grant.

Conference on Jewish Material Claims Against Germany, Inc.

Claims Conference In-Home Services Program

<u>Fund</u>	<u>Application Number</u>	<u>Award Amount</u>	<u>Expenditures</u>	<u>Contract Dates</u>
2016 calendar year grants:				
SO46	16471	\$ 49,765	\$ 24,882	1/1/16-12/31/16
GG18	17509	\$ 618,720	\$ 407,127	1/1/16-12/31/16

During the performance of our audit procedures for the year ending June 30, 2016, we determined that these funds were applied exclusively for the purposes for which they were granted during the contract dates of the grant. Expenditures for the 2016 calendar year grants were for the first six months of the 2016 grant period.