

JEWISH BOARD OF FAMILY AND
CHILDREN'S SERVICES, INC.



The Jewish Board

Health and Human Services for All New Yorkers

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2017 AND 2016

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2017 AND 2016

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses.....	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-21

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the
Jewish Board of Family and Children's Services, Inc.

We have audited the accompanying financial statements of the Jewish Board of Family and Children's Services, Inc. ("The Jewish Board") which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 the Jewish Board of Family and Children's Services, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
November 30, 2017

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

ASSETS	2017	2016
Cash and cash equivalents (Notes 2C and 16A)	\$ 4,296,875	\$ 7,019,714
Accounts receivable, net (Notes 2F and 3)	36,297,616	35,337,992
Contributions receivables, net (Notes 2E, 2F and 4)	1,323,014	2,319,131
Investments (Notes 2D, 5, 6 and 12A)	111,891,614	101,631,030
Prepaid expenses and other assets (Note 2H)	5,073,201	5,322,465
Property and equipment, net (Notes 2G and 7)	<u>67,109,454</u>	<u>71,914,230</u>
TOTAL ASSETS	<u>\$ 225,991,774</u>	<u>\$ 223,544,562</u>
 LIABILITIES		
Accounts payable and accrued expenses (Notes 2C and 2H)	\$ 4,798,910	\$ 6,754,273
Accrued salaries and related benefits	3,095,604	2,788,572
Accrued vacation	5,544,995	5,313,596
Accrued postretirement benefits (Note 11)	11,023,568	11,916,257
Other pension liabilities (Notes 12A and 13)	2,292,391	2,784,801
Deferred rent (Notes 2M and 15A)	968,952	1,312,124
Due to government agencies and deferred revenues (Note 15C)	27,216,878	24,203,258
Bank lines of credit (Note 10)	13,000,000	15,000,000
IDA bonds payable (Notes 8 and 2O)	11,352,328	12,317,365
Other long-term debt (Notes 9 and 2O)	<u>11,321,030</u>	<u>12,648,169</u>
TOTAL LIABILITIES	<u>90,614,656</u>	<u>95,038,415</u>
 COMMITMENTS AND CONTINGENCIES (Note 15)		
 NET ASSETS (Note 2B)		
Unrestricted		
Invested in property and equipment	44,436,096	46,948,696
Available for operations	<u>68,895,333</u>	<u>60,372,428</u>
Total unrestricted	113,331,429	107,321,124
Temporarily restricted (Note 14B)	15,480,480	14,619,814
Permanently restricted (Note 14A)	<u>6,565,209</u>	<u>6,565,209</u>
TOTAL NET ASSETS	<u>135,377,118</u>	<u>128,506,147</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 225,991,774</u>	 <u>\$ 223,544,562</u>

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

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Year Ended June 30, 2017			Year Ended June 30, 2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
OPERATING REVENUE AND SUPPORT (Note 2M):								
Government support (Note 2I)	\$ 200,849,426	\$ -	\$ -	\$ 200,849,426	\$ 214,561,050	\$ -	\$ -	\$ 214,561,050
Contributions (Note 2E)	3,187,471	25,450	-	3,212,921	3,789,129	1,042,827	-	4,831,956
Special events (net of direct costs of \$343,159 and \$306,052)	1,701,120	-	-	1,701,120	1,435,010	-	-	1,435,010
United Jewish Appeal-Federation of Jewish Philanthropies of New York, Inc.	9,688,618	-	-	9,688,618	10,202,298	-	-	10,202,298
Donated services (Note 2J)	257,357	-	-	257,357	248,737	-	-	248,737
Rentals and other income	1,202,574	-	-	1,202,574	870,862	-	-	870,862
Investment income used for operations (Notes 5 and 14)	4,884,072	248,928	-	5,133,000	4,688,000	-	-	4,688,000
Net assets released from restrictions (Notes 2B and 14)	1,744,830	(1,744,830)	-	-	321,030	(321,030)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	<u>223,515,468</u>	<u>(1,470,452)</u>	<u>-</u>	<u>222,045,016</u>	<u>236,116,116</u>	<u>721,797</u>	<u>-</u>	<u>236,837,913</u>
OPERATING EXPENSES								
Program Services:								
Residential	114,985,457	-	-	114,985,457	112,111,822	-	-	112,111,822
Community services	85,121,889	-	-	85,121,889	92,729,242	-	-	92,729,242
Education	3,266,130	-	-	3,266,130	3,218,244	-	-	3,218,244
Total Program Services	<u>203,373,476</u>	<u>-</u>	<u>-</u>	<u>203,373,476</u>	<u>208,059,308</u>	<u>-</u>	<u>-</u>	<u>208,059,308</u>
Supporting Services:								
Management and general	22,290,819	-	-	22,290,819	26,872,863	-	-	26,872,863
Fundraising	1,066,715	-	-	1,066,715	1,117,182	-	-	1,117,182
Total Supporting Services	<u>23,357,534</u>	<u>-</u>	<u>-</u>	<u>23,357,534</u>	<u>27,990,045</u>	<u>-</u>	<u>-</u>	<u>27,990,045</u>
TOTAL OPERATING EXPENSES	<u>226,731,010</u>	<u>-</u>	<u>-</u>	<u>226,731,010</u>	<u>236,049,353</u>	<u>-</u>	<u>-</u>	<u>236,049,353</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(3,215,542)</u>	<u>(1,470,452)</u>	<u>-</u>	<u>(4,685,994)</u>	<u>66,763</u>	<u>721,797</u>	<u>-</u>	<u>788,560</u>
NON-OPERATING ACTIVITIES (Note 2L):								
Investment activity (Note 5)	12,283,594	2,580,046	-	14,863,640	(1,732,777)	(898,753)	-	(2,631,530)
Less: Amount used for operations (Note 5)	(4,884,072)	(248,928)	-	(5,133,000)	(4,688,000)	-	-	(4,688,000)
Investment activity over/(under) amounts used for operations	7,399,522	2,331,118	-	9,730,640	(6,420,777)	(898,753)	-	(7,319,530)
Forgiveness of UJA pension liability (Note 13)	808,347	-	-	808,347	-	-	-	-
Donated property (Note 7)	-	-	-	-	15,231,367	3,393,083	-	18,624,450
TOTAL NON-OPERATING ACTIVITIES	<u>8,207,869</u>	<u>2,331,118</u>	<u>-</u>	<u>10,538,987</u>	<u>8,810,590</u>	<u>2,494,330</u>	<u>-</u>	<u>11,304,920</u>
CHANGE IN NET ASSETS BEFORE POSTRETIREMENT RELATED CHANGES	4,992,327	860,666	-	5,852,993	8,877,353	3,216,127	-	12,093,480
Postretirement related changes other than net periodic costs (Note 11)	1,017,978	-	-	1,017,978	(893,532)	-	-	(893,532)
CHANGE IN NET ASSETS	6,010,305	860,666	-	6,870,971	7,983,821	3,216,127	-	11,199,948
Net assets - beginning of year	107,321,124	14,619,814	6,565,209	128,506,147	99,337,303	11,403,687	6,565,209	117,306,199
NET ASSETS - END OF YEAR	<u>\$ 113,331,429</u>	<u>\$ 15,480,480</u>	<u>\$ 6,565,209</u>	<u>\$ 135,377,118</u>	<u>\$ 107,321,124</u>	<u>\$ 14,619,814</u>	<u>\$ 6,565,209</u>	<u>\$ 128,506,147</u>

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

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	Program Services				Supporting Services			Total 2017	Total 2016
	Residential	Community Services	Education	Total Program Services	Management & General	Fundraising	Total Supporting Services		
Salaries	\$ 55,134,027	\$ 47,069,015	\$ 1,517,930	\$ 103,720,972	\$ 9,815,589	\$ 661,633	\$ 10,477,222	\$ 114,198,194	\$ 118,550,570
Payroll taxes and benefits (Notes 11, 12 and 13)	18,976,253	15,827,888	522,527	35,326,668	3,927,999	217,360	4,145,359	39,472,027	41,366,509
Total Personnel Costs	74,110,280	62,896,903	2,040,457	139,047,640	13,743,588	878,993	14,622,581	153,670,221	159,917,079
Consulting and professional fees	3,837,067	3,991,039	586,818	8,414,924	1,767,586	17,826	1,785,412	10,200,336	10,050,545
Recruiting	74,845	27,780	616	103,241	174,643	147	174,790	278,031	449,339
Other contract services	1,198,446	1,278,574	13,593	2,490,613	1,096,937	9,482	1,106,419	3,597,032	4,425,055
Supplies	2,639,592	969,728	46,260	3,655,580	311,114	10,968	322,082	3,977,662	4,562,955
Telephone	45,494	188,390	36	233,920	-	-	-	233,920	301,175
Postage and shipping	18,731	18,457	644	37,832	18,570	4,557	23,127	60,959	85,137
Occupancy (Note 15A)	7,205,329	7,457,677	346,603	15,009,609	1,612,187	79,415	1,691,602	16,701,211	17,440,832
Equipment rental & other costs (Note 15A)	159,479	169,451	6,287	335,217	67,116	3,251	70,367	405,584	445,031
Vehicle rental (Note 15A)	832,677	44,781	2	877,460	13,310	-	13,310	890,770	1,015,213
Outside print & artwork	5,392	18,605	147	24,144	8,431	1,772	10,203	34,347	43,368
Staff travel and other	146,462	310,433	613	457,508	58,005	4,620	62,625	520,133	467,266
Conferences and conventions	56,965	123,056	459	180,480	104,967	5,536	110,503	290,983	315,409
Specific assistance	15,918,757	1,777,780	5,367	17,701,904	-	-	-	17,701,904	17,377,533
Membership dues	81,120	45,116	1,445	127,681	9,461	1,000	10,461	138,142	197,633
Repairs and maintenance	1,793,632	226,210	9,240	2,029,082	64,822	434	65,256	2,094,338	2,116,455
Interest (Note 2H)	817,689	134,086	-	951,775	511,240	-	511,240	1,463,015	1,242,506
Medicaid facility tax assessment (Note 2I)	1,010,013	-	-	1,010,013	-	-	-	1,010,013	1,172,208
General insurance	1,919,989	1,128,039	47,689	3,095,717	152,889	13,653	166,542	3,262,259	3,210,666
Depreciation and amortization (Note 7)	2,831,063	1,126,426	158,917	4,116,406	2,313,719	4,850	2,318,569	6,434,975	5,806,489
Bad debt (Note 2F)	-	3,102,100	-	3,102,100	3,192	-	3,192	3,105,292	4,808,814
Miscellaneous	282,435	87,258	937	370,630	259,042	30,211	289,253	659,883	598,645
TOTAL EXPENSES	\$ 114,985,457	\$ 85,121,889	\$ 3,266,130	\$ 203,373,476	\$ 22,290,819	\$ 1,066,715	\$ 23,357,534	\$ 226,731,010	\$ 236,049,353

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

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services			Total Program Services	Supporting Services			Total 2016
	Residential	Community Services	Education		Management & General	Fundraising	Total Supporting Services	
Salaries	\$ 54,355,043	\$ 51,575,205	\$ 1,565,684	\$ 107,495,932	\$ 10,412,255	\$ 642,383	\$ 11,054,638	\$ 118,550,570
Payroll taxes and benefits (Notes 11, 12 and 13)	19,588,834	16,983,361	470,088	37,042,283	4,088,653	235,573	4,324,226	41,366,509
Total Personnel Costs	73,943,877	68,558,566	2,035,772	144,538,215	14,500,908	877,956	15,378,864	159,917,079
Consulting and professional fees	2,227,536	2,612,935	536,524	5,376,995	4,584,198	89,352	4,673,550	10,050,545
Recruiting	70,366	73,145	360	143,871	301,219	4,249	305,468	449,339
Other contract services	774,441	1,954,367	22,910	2,751,718	1,651,999	21,338	1,673,337	4,425,055
Supplies	2,818,740	1,044,650	58,758	3,922,148	631,823	8,984	640,807	4,562,955
Telephone	48,086	243,090	31	291,207	9,928	40	9,968	301,175
Postage and shipping	24,968	25,345	840	51,153	32,430	1,554	33,984	85,137
Occupancy (Note 15A)	7,151,609	7,751,738	336,443	15,239,790	2,145,049	55,993	2,201,042	17,440,832
Equipment rental & other costs (Note 15A)	179,595	198,821	7,069	385,485	58,836	710	59,546	445,031
Vehicle rental (Note 15A)	837,009	153,239	-	990,248	24,965	-	24,965	1,015,213
Outside print & artwork	6,886	20,367	341	27,594	13,208	2,566	15,774	43,368
Staff travel and other	112,440	292,858	204	405,502	58,400	3,364	61,764	467,266
Conferences and conventions	72,623	104,952	2,594	180,169	126,766	8,474	135,240	315,409
Specific assistance	15,109,014	2,260,106	6,811	17,375,931	1,597	5	1,602	17,377,533
Membership dues	74,893	77,340	1,726	153,959	43,274	400	43,674	197,633
Repairs and maintenance	1,840,306	199,284	10,767	2,050,357	65,817	281	66,098	2,116,455
Interest (Note 2H)	831,587	102,523	-	934,110	308,396	-	308,396	1,242,506
Medicaid facility tax assessment (Note 2I)	1,172,208	-	-	1,172,208	-	-	-	1,172,208
General insurance	1,839,094	1,163,455	43,875	3,046,424	151,738	12,504	164,242	3,210,666
Depreciation and amortization (Note 7)	2,607,588	1,169,528	152,602	3,929,718	1,873,461	3,310	1,876,771	5,806,489
Bad debt expense (Note 2F)	132,563	4,676,251	-	4,808,814	-	-	-	4,808,814
Miscellaneous	236,393	46,682	617	283,692	288,851	26,102	314,953	598,645
TOTAL EXPENSES	\$ 112,111,822	\$ 92,729,242	\$ 3,218,244	\$ 208,059,308	\$ 26,872,863	\$ 1,117,182	\$ 27,990,045	\$ 236,049,353

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

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,870,971	\$ 11,199,948
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	6,434,975	5,806,489
Postretirement related changes other than net periodic pension costs	(1,017,978)	893,532
Forgiveness of UJA pension liability	(808,347)	-
Bad debt	3,105,292	4,808,814
Non cash interest expense	108,106	96,229
Change in value of split-interest agreements	717	4,067
Loss on sale of property and equipment	44,906	94,860
Value of contributed property	-	(18,624,450)
Net realized and unrealized (gain) loss on investments	(12,899,878)	4,321,705
Subtotal	(5,032,207)	(2,598,754)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	(4,064,916)	(6,215,648)
Contributions receivable	996,117	(55,370)
Prepaid expenses and other assets	248,547	(524,656)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,955,363)	1,701,708
Accrued salaries and related benefits	307,032	(3,690,007)
Accrued vacation	231,399	(58,367)
Accrued postretirement benefits	441,226	331,834
Deferred rent	(343,172)	(398,732)
Due to government agencies and deferred revenues	3,013,620	(3,636,032)
Net cash provided by (used in) operating activities	713,254	(3,944,076)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(18,341,246)	(5,429,511)
Proceeds from sales of investments	20,980,540	14,194,728
Proceeds from sales of fixed assets	-	53,675
Purchases of fixed assets	(1,675,105)	(10,184,447)
Net cash provided by (used in) investing activities	964,189	(1,365,555)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bank lines of credit	(39,000,000)	(25,700,000)
Proceeds from borrowings of bank lines of credit	37,000,000	25,200,000
Repayments of IDA bonds payable	(1,035,000)	(990,000)
Repayments of other long-term debt	(1,365,282)	(1,107,322)
Proceeds from borrowings of other long-term debt	-	3,515,403
Net cash (used in) provided by financing activities	(4,400,282)	918,081
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,722,839)	(4,391,550)
Cash and cash equivalents - beginning of year	7,019,714	11,411,264
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,296,875	\$ 7,019,714
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 1,354,909	\$ 1,146,277
SUPPLEMENTAL NON-CASH INFORMATION		
Forgiveness of UJA pension liability	\$ (808,347)	\$ -
Donated property	\$ -	\$ 18,624,450

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

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

For more than 140 years, the Jewish Board of Family and Children's Services, Inc. ("The Jewish Board") has been helping New Yorkers realize their potential and live as independently as possible. The Jewish Board promotes resilience and recovery by addressing all aspects of an individual's life including mental and physical health, family, housing, employment and education. Across the five boroughs and in Westchester, The Jewish Board serves approximately 40,000 New Yorkers from all religious, ethnic and socioeconomic backgrounds each year in a variety of ways.

The Jewish Board provides a comprehensive array of mental health, family support, and developmental disabilities services. The Jewish Board's mental health clinics and satellites located in all five boroughs annually serve more than 10,000 New Yorkers struggling with a range of mental and behavioral health issues. The Jewish Board also provides community-based treatment and residential services to children and adults living with mental illness. The Jewish Board also provides domestic violence services to women and families via emergency and transitional shelters. The Jewish Board's Jewish community service programs, which reach out to Jews in need, offer counseling and support across a range of issues along the life cycle, from divorce and bereavement, to illness and addiction. The Jewish Board's renowned Martha K. Selig Institute trains The Jewish Board staff and outside practitioners to meet the highest standards of care and the most challenging needs of the New York City community.

The Jewish Board is a Section 501(c)(3) not-for-profit corporation exempt from federal income tax under Section 501(a) of the Internal Revenue Code and has been classified as a publically supported charitable organization under Section 509(a)(1) of the Internal Revenue Code and qualifies for the maximum charitable contribution deduction by donors. The Jewish Board is also exempt from state and local taxes. The Jewish Board's revenues are earned primarily from Medicaid, New York State and New York City government sources for services provided, with additional support provided from philanthropy.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting* - The financial statements have been prepared on the accrual basis of accounting. The Jewish Board adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").

B. *Basis of Presentation* – The Jewish Board maintains its net assets under the following three classes:

Unrestricted - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of The Jewish Board's operations over which the Board of Trustees has discretionary control.

Temporarily Restricted - This represents net assets subject to donor-imposed stipulations that will be met by actions of The Jewish Board or by the passage of time. In addition, earnings from endowment assets are classified as temporarily restricted until appropriated for operations by the Board of Trustees. When a stipulated time restriction ends or purpose restriction is accomplished or endowment earnings are appropriated for operations, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted - This represents net assets subject to donor-imposed stipulations that they be maintained permanently by The Jewish Board. Generally, the donors of these assets permit The Jewish Board to use all or part of the income earned on related investments for unrestricted or donor-specified purposes. Under New York law, these earnings that might otherwise be donor unrestricted are considered temporarily restricted until appropriated by the Board of Trustees.

C. *Cash and Cash Equivalents* – The Jewish Board considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents. Program participant funds included in the cash and cash equivalents amounted to approximately \$528,000 and \$502,000 as of June 30, 2017 and 2016. Such amounts are also included as a liability in the accompanying financial statements.

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. *Investments and Fair Value Measurements*** - Investments are stated at fair value. Alternative investments are stated at fair value as estimated by the investment managers or general partners. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Certain investments (see Note 6) are stated at Net Asset Value ("NAV") which approximates fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 6.
- E. *Contributions*** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.
- F. *Allowance for Uncollectible Receivables*** – The Jewish Board determines whether an allowance for uncollectible receivables should be provided for accounts receivable and contributions receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, creditworthiness of its donors, historical experience, and collections subsequent to year end. As of June 30, 2017 and 2016, The Jewish Board determined an allowance of \$1,589,000 and \$2,500,000 was necessary for accounts receivable.
- G. *Property and Equipment*** - Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the lease. Property and equipment is capitalized by The Jewish Board provided its cost is \$5,000 or more and its useful life is greater than one year.
- H. *Split-Interest Agreements*** – The Jewish Board is the beneficiary of a number of split-interest agreements with donors. Under these agreements, The Jewish Board controls the donated assets and distributes to the donor or donor's designee income generated from those assets until such time as stated in the agreements (usually upon the death of the donor or donor's designee). At such time, The Jewish Board will be able to utilize the remaining assets. At the time of the gift, The Jewish Board records contribution revenue and a liability for amounts payable to third-interest-party beneficiaries using an actuarial calculation based on estimated mortality rates and other assumptions that could change in the near term. The liability is adjusted annually. The fair value of investments held under split-interest agreements as of June 30, 2017 and 2016 amounted to \$258,890 and \$259,607, respectively, and consisted of investments in money market funds and bond mutual funds. As of June 30, 2017 and 2016, the assets and liabilities of \$258,890 and \$259,607, respectively, associated with these agreements are included in prepaid expenses and other assets, and accounts payable and accrued expenses in the accompanying statements of financial position.
- I. *Government Support*** – The Jewish Board derives its revenue from, among other sources, cost reimbursement contracts and fees for service programs with federal, New York State, and New York City government agencies. The Jewish Board's Residential Treatment Center receives funding for its foster care services through foster care contracts principally entered into with New York City and various adjacent counties. The Jewish Board's Residential Treatment Facilities and Developmental Disabilities programs receive funding for their services through direct payments from governmental entities.

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues from evaluation and education services (early childhood programs) are principally cost-based. The revenues for such services are recorded at tuition rates established by governmental payors (principally the New York State Education Department and the New York City Department of Education). The Medicaid facility tax assessment is an add-on to the rate for the Intermediate Care Facilities ("ICF") programs and recorded as an income and expense in the accompanying financial statements.

- J. *Donated Services*** – The Jewish Board receives certain contributed services that meet the criteria under U.S. GAAP for recognition as contributions and expense. Such services (primarily volunteer caseworkers) are recorded in the financial statements at fair value (approximately \$257,000 and \$249,000 for the years ended June 30, 2017 and 2016, respectively). Other volunteers have donated time to The Jewish Board's programs and supporting services. No amounts have been reflected in the accompanying financial statements for those services as they do not meet the recognition criteria under U.S. GAAP.
- K. *Functional Expenses*** - The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting service benefited, as indicated in the statements of functional expenses.
- L. *Operating and Non-Operating Activities*** – The Jewish Board includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including all contributions except for endowments that have been permanently restricted by donors. Investment income, including realized and unrealized gains and losses earned in excess of (or less than) the amount used for operations, forgiveness of debt and donated property are recognized as non-operating activities.
- M. *Deferred Rent*** – The Jewish Board leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, The Jewish Board records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position.
- N. *Use of Estimates*** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- O. *Recent Accounting Pronouncement*** – In 2017, The Jewish Board retrospectively adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-03, *Interest – Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs*. This update requires that debt issuance costs related to a liability be reported as a deduction from that liability on the statements of financial position. Accordingly, The Jewish Board has presented long term debt net of debt issuance costs on the accompanying statements of financial position. Long term debt and IDA Bonds Payable as of June 30, 2017 and 2016 are reported on the statements of financial position with the associated issuance costs of \$927,106 and \$1,035,212, respectively, of debt issuance cost reducing the liability. For the years ended June 30, 2017 and 2016, amortization of the debt issuance costs of \$108,106 and \$96,229, respectively, is reported as interest expense and was previously reported as amortization expense.
- P. *Reclassifications***: Certain items in the June 30, 2016 financial statements have been reclassified to conform to the June 30, 2017 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2016.

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Due from the City of New York	\$ 12,425,775	\$ 13,029,446
Due from the State of New York	14,752,843	16,524,543
Due from other sources	<u>10,708,170</u>	<u>8,284,003</u>
	37,886,788	37,837,992
Less: allowance for doubtful accounts	<u>(1,589,172)</u>	<u>(2,500,000)</u>
	<u>\$ 36,297,616</u>	<u>\$ 35,337,992</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are recorded net of a discount (at a risk adjusted rate) to reflect the present value of future cash flows and are scheduled to be collected as follows as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
One year or less	\$ 794,029	\$ 1,201,267
One to five years	550,000	1,066,500
More than five years	<u>50,000</u>	<u>150,000</u>
	1,394,029	2,417,767
Less:		
Discount to present value, 4.25% & 3.25%	<u>(71,015)</u>	<u>(98,636)</u>
	<u>\$ 1,323,014</u>	<u>\$ 2,319,131</u>

NOTE 5 – INVESTMENTS

Investments consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 3,444,620	\$ 3,043,274
Equities	12,715,574	11,240,554
Mutual funds	79,731,450	67,193,753
Alternative investments	<u>15,999,970</u>	<u>20,153,449</u>
	<u>\$ 111,891,614</u>	<u>\$ 101,631,030</u>

Supplementary pension plan investments in the amount of approximately \$2,292,000 and \$1,976,000 are included in the investments as of June 30, 2017 and 2016 (see Note 12B).

Alternative investments consist of the following:

Diversified inflation hedges – The fund's investment objective is to provide strong relative performance versus broad equity and fixed income markets during rising inflation environments.

Hedge funds – The fund invests primarily in offshore investment funds, investment partnerships and pooled investment vehicles. The investment in the fund is recorded at fair value based on financial data, which is generally at an amount equal to net asset value per share or the fund's proportionate interest in the net assets.

Limited partnerships - Limited partnerships invest primarily in a collection of diversified hedge fund strategies from a variety of underlying managers. Investments consist of hedge funds and other funds focusing on long/short equity, relative value, credit, event driven opportunities, distressed investment and multi-strategy approaches.

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5 – INVESTMENTS (Continued)

The components of investment activity for the years ended June 30, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>
Realized gains	\$ 4,684,695	\$ 2,182,585
Unrealized gains (losses)	<u>8,215,183</u>	<u>(6,504,290)</u>
Net realized and unrealized activity	12,899,878	(4,321,705)
Interest and dividends	2,493,803	2,184,754
Investment fees	<u>(530,041)</u>	<u>(494,579)</u>
	<u>\$ 14,863,640</u>	<u>\$ (2,631,530)</u>

Designation of investment activity:

	<u>2017</u>	<u>2016</u>
Amount used for operations	\$ 5,133,000	\$ 4,688,000
Amount considered non-operating	<u>9,730,640</u>	<u>(7,319,530)</u>
	<u>\$ 14,863,640</u>	<u>\$ (2,631,530)</u>

The current spending policy of The Jewish Board is discretionary and approved by the Board through the annual budget approval process.

Investments generally are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

NOTE 6 – FAIR VALUE MEASUREMENTS

In determining fair value, The Jewish Board utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Investments in equity securities and mutual funds (except included under Level 2) are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. See Note 2D for the valuation on alternative investments. Mutual funds included under Level 2 are valued at net asset value.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2017 and 2016, there were no transfers in or out of levels 1, 2 or 3.

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of June 30, 2017 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2017 Total</u>
ASSETS CARRIED AT FAIR VALUE:				
Investments:				
Money market funds	\$ 3,444,620	\$ -	\$ -	\$ 3,444,620
Equities				
Domestic	11,502,893	-	-	11,502,893
International	1,212,681	-	-	1,212,681
Mutual funds				
Domestic	26,171,735	-	-	26,171,735
International	3,636,728	-	-	3,636,728
Corporate bonds	7,438,035	-	-	7,438,035
International funds	-	17,111,003	-	17,111,003
Global multi-asset	-	25,373,949	-	25,373,949
Alternative investments				
Diversified inflation hedges	-	-	4,243,973	4,243,973
Hedge funds	-	-	5,122,304	5,122,304
Limited partnerships	-	-	6,633,693	6,633,693
TOTAL ASSETS AT FAIR VALUE:	<u>\$ 53,406,692</u>	<u>\$ 42,484,952</u>	<u>\$ 15,999,970</u>	<u>\$ 111,891,614</u>

Financial assets carried at fair value as of June 30, 2016 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2016 Total</u>
ASSETS CARRIED AT FAIR VALUE:				
Investments:				
Money market funds	\$ 3,043,274	\$ -	\$ -	\$ 3,043,274
Equities				
Domestic	9,825,621	-	-	9,825,621
International	1,414,934	-	-	1,414,933
Mutual funds				
Domestic	25,715,094	-	-	25,715,094
International	3,137,936	-	-	3,137,936
Corporate bonds	6,096,586	-	-	6,096,586
International funds	-	9,775,422	-	9,775,422
Global multi-asset	-	22,468,715	-	22,468,715
Alternative investments				
Diversified inflation hedges	-	-	4,130,353	4,130,353
Hedge funds	-	-	9,621,012	9,621,012
Limited partnerships	-	-	6,402,083	6,402,084
TOTAL ASSETS AT FAIR VALUE:	<u>\$ 49,233,445</u>	<u>\$ 32,244,137</u>	<u>\$ 20,153,448</u>	<u>\$ 101,631,030</u>

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The following investments are valued at net asset value, which equals fair value:

	<u>2017</u>	<u>2016</u>	<u>2017 Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
Global multi-asset fund	\$ 25,373,949	\$ 22,468,715	None	Immediately	N/A
International funds	17,111,003	9,775,422	None	Immediately	N/A
Diversified inflation funds	4,243,973	4,130,353	None	Immediately	10 days
Hedge funds	5,122,304	9,621,012	None	Immediately	10-90 days
Limited partnerships	<u>6,633,693</u>	<u>6,402,083</u>	None	Immediately	90 days
	<u>\$ 58,484,922</u>	<u>\$ 52,397,585</u>			

The reconciliation for the years ended June 30, 2017 and 2016 of Level 3 investments measured at estimated fair value follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 20,153,448	\$ 23,241,755
Unrealized loss on investments	(2,696,863)	(291,993)
Other investment gains	3,915,184	172,143
Purchases, sales, issuances and settlements (net)	<u>(5,371,799)</u>	<u>(2,968,457)</u>
Balance, end of year	<u>\$ 15,999,970</u>	<u>\$ 20,153,448</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Estimated</u> <u>Useful Lives</u>
Land	\$ 17,012,605	\$ 17,012,605	-
Building and building improvements	88,319,919	93,274,682	15-50 years
Leasehold improvements	5,188,397	5,178,357	5-40 years
Furniture and equipment	29,549,376	29,127,979	3-10 years
Construction in progress (see below)	<u>175,307</u>	<u>338,560</u>	-
	140,245,604	144,932,183	
Less accumulated depreciation and amortization	<u>(73,136,150)</u>	<u>(73,017,953)</u>	
	<u>\$ 67,109,454</u>	<u>\$ 71,914,230</u>	

Depreciation and amortization expense amounted to \$6,434,975 and \$5,806,489 for the years ended June 30, 2017 and 2016. During the year ended June 30, 2017, The Jewish Board wrote off approximately \$6.3 million of property and equipment that were fully depreciated and no longer in use.

The Jewish Board recognizes contribution revenue for donations of property at their fair value at the time of the donation. The property is recorded, based on donor stipulations, as unrestricted, temporarily restricted or permanently restricted revenue when received. During the year ended June 30, 2016, The Jewish Board received donated property (building and land) transferred by the New York State Office of Mental Health. The property was appraised by a third party appraiser at approximately \$22 million at the time of the transfer. The Jewish Board also assumed approximately \$3.4 million of bonds payable related to the property. The difference between the debt and the fair value of the property was recorded as donated property in accordance with U.S. GAAP, which amounted to \$18.6 million. From the total donated property of \$18.6 million, the amount equal to the outstanding debt is recorded as temporarily restricted and will be released each year equal to the debt payments.

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 – PROPERTY AND EQUIPMENT (Continued)

Construction in progress consists of renovations at various facilities with an estimated cost of completion of approximately \$578,000 for the year ended June 30, 2017. The projects are expected to be completed in the next two years.

NOTE 8 – IDA BONDS PAYABLE

In August 2000, Civic Facility Revenue Bonds (the "2000 Bonds"), aggregating \$15,820,000, were issued by the New York City Industrial Development Agency ("IDA"). All of The Jewish Board's rights, title, and interest in various premises leased by The Jewish Board were assigned to the IDA. Further, The Jewish Board immediately leased back these facilities at a rate and term equivalent to the debt service requirements of the 2000 Bonds. The IDA is prohibited from selling the facilities without the explicit consent of The Jewish Board. All the facilities will be returned to The Jewish Board on December 15, 2025, or at such time that the bond obligations have been fully satisfied.

The proceeds from the 2000 Bonds, net of issuance costs, were deposited into a project fund (the "Project Fund") for the purpose of financing or refinancing the acquisition, reconstruction, renovation and equipping of the Mishkon Facility, the Intermediate Care Facility, the Individualized Residential Alternative Facilities, the Flagship Building, the Geller House, the Kaplan House, the J.W. Beatman Center, the Ittleson Center and the headquarters of The Jewish Board.

The Jewish Board has guaranteed the payment of principal or redemption price and interest on the 2000 Bonds and has granted to the trustee (Bank of America) of the 2000 Bonds a security interest in their total operating revenues. Pursuant to the 2000 Bond Agreement, the bond trustee for the 2000 Bonds entered into an inter-creditor agreement. In the event that there are insufficient total operating revenues to meet the payment obligations with respect to the 2000 Bonds, the bond trustee will receive a pro rata portion of the total operating revenues available. The 2000 Bonds are also secured by a bank letter of credit, for which no amounts are outstanding. The Jewish Board pays an annual fee of 1.75% (approximately \$250,000) of the total outstanding bonds to maintain the letter of credit.

Interest payments on the bonds are based on a variable interest rate, which amounted to 0.89% and 0.07% as of June 30, 2017 and 2016.

The 2000 Bonds require The Jewish Board to comply with certain terms and conditions. The Jewish Board was in compliance with all applicable financial covenants as of June 30, 2017 and 2016.

The Jewish Board redeemed \$1,480,000 of these obligations in connection with the sale of its headquarters building in 2009.

The remaining balance of the 2000 Bonds is subject to redemption by the IDA prior to maturity from mandatory Sinking Fund Installments on July 1 of the years and in the principal amounts set forth below:

2017-2018	\$ 1,090,000
2018-2019	1,140,000
2019-2020	1,195,000
2020-2021	1,255,000
2021-2022	1,320,000
Thereafter	<u>5,960,000</u>
Subtotal	11,960,000
Less: debt issuance costs	<u>(607,672)</u>
	<u>\$ 11,352,238</u>

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 9 – OTHER LONG TERM DEBT

The following are various mortgages and a note secured by the applicable underlying properties or as otherwise noted. Since payments on these long-term loans are generally flow-through amounts under funding contracts with the applicable state organization, the interest rates disclosed are not indicative of an out-of-pocket debt service obligation. Payments disclosed below include principal and interest. Details are as follows:

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Due Date</u>
Mortgage payable to the Dormitory Authority of the State of New York ("DASNY") in semi-annually installments of \$23,615. The interest rate is 9.34%. (a)	\$ 21,843	\$ 64,018	2018
Mortgage payable to DASNY in semi-annually installments of \$35,000. The interest rate is 6.43%. (a)	196,000	276,000	2019
Mortgage payable to DASNY in semi-annual installments of \$80,000. The interest rate is 5.32% (b) .	580,000	773,600	2019
Note payable to a bank, in monthly installments of \$23,065. The interest rate is 3.89%. The loan is collateralized with equipment and machinery. (b)	1,084,044	1,360,823	2021
Mortgage payable to DASNY in semi-annual installments of \$37,235. The interest rate is 5.05%. (a)	759,365	794,200	2023
Mortgage payable to DASNY in semi-annual installments of \$138,933. The interest rate is 7.15%. (a)	1,424,682	1,591,686	2023
Mortgage payable to DASNY in semi-annual installments of \$259,630. The interest rate is 4.95%. (a)	2,852,980	3,217,432	2023
Mortgage payable to a bank, in monthly installments of \$7,553. The interest rate is 4.46% (b)	854,762	906,783	2029
Mortgage payable to DASNY in semi-annual installments of \$60,350. The interest rate is 5.01%. (a)	1,290,628	1,344,673	2032
Mortgage payable to DASNY in semi-annual installments of \$98,547. The interest rate is 4.02%. (a)	2,458,937	2,554,211	2034
State aid grant payable to DASNY in monthly installments of \$425. No interest is imputed. (a)	<u>117,223</u>	<u>122,320</u>	2040
Sub-total	<u>11,640,464</u>	<u>13,005,746</u>	
	Less: debt issuance costs:	<u>(319,434)</u>	<u>(357,577)</u>
Total	<u>\$ 11,321,030</u>	<u>\$ 12,648,169</u>	

(a) Non-recourse long term debt secured by the property.

(b) Pursuant to the credit agreement, The Jewish Board is required to maintain certain financial covenants. As of June 30, 2017 and 2016, The Jewish Board was in compliance with these covenants.

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 9 – OTHER LONG TERM DEBT (continued)

Required future annual principal payments are payable as follows for the years ending after June 30, 2017:

2018	\$ 1,427,556
2019	1,475,221
2020	1,245,852
2021	1,150,828
2022	946,137
Thereafter	<u>5,394,870</u>
	<u>\$ 11,640,464</u>

NOTE 10 – BANK LINES OF CREDIT

Bank lines of credit consist of the following as of June 30, 2017 :

	<u>Amount</u>	<u>Expiration Date</u>
Unsecured line of credit amounting to \$30,000,000 with TD Bank. The interest rate is 1.75% above the LIBOR 30-day rate (0.1866%). The effective interest rate on outstanding loans ranged from 2.60% to 2.98% as of June 30, 2017.	\$ 12,000,000	2018
Unsecured line of credit amounting to \$15,000,000 with Wells Fargo. The interest rate is 2.70% on the outstanding balance as of June 30, 2017 and 0.25% on the unused portion.	<u>1,000,000</u>	2018
	<u>\$ 13,000,000</u>	

There are certain financial covenants associated with the bank lines of credit. As of June 30, 2017, The Jewish Board was in compliance with those covenants.

NOTE 11 – ACCRUED POSTRETIREMENT BENEFITS

The Jewish Board maintains an accrued postretirement benefit plan for its employees who have attained age 45 and were employed prior to January 1, 2013.

The unfunded status as of June 30, 2017 and 2016 follows:

Change in benefit obligation:		
	<u>2017</u>	<u>2016</u>
Benefit obligation at beginning of the year	\$ 11,916,257	\$ 10,818,276
Interest cost	382,082	432,548
Service cost	282,091	270,254
Actuarial loss	(1,017,978)	889,631
Benefits paid	<u>(538,884)</u>	<u>(494,452)</u>
Benefit obligation at end of the year	11,023,568	11,916,257
Fair value of plan assets	<u>-</u>	<u>-</u>
Unfunded status	<u>\$ 11,023,568</u>	<u>\$ 11,916,257</u>

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 11 – ACCRUED POSTRETIREMENT BENEFITS (continued)

The components of net periodic benefit cost for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest cost	\$ 382,082	\$ 432,548
Service cost	282,091	270,254
Amortization of actuarial gain	<u>-</u>	<u>(3,901)</u>
Net periodic cost	<u>\$ 664,173</u>	<u>\$ 698,901</u>

The amounts recognized in the change in unrestricted net assets for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Net actuarial loss	\$ (1,017,978)	\$ (889,631)
Amortization of actuarial gain	<u>-</u>	<u>(3,901)</u>
	<u>\$ (1,017,978)</u>	<u>\$ (893,532)</u>

As of June 30, 2017 and 2016, the amounts recognized in unrestricted net assets consist of a cumulative actuarial loss of \$1,017,978 and \$889,631.

The weighted assumptions used as of and for the years ended June 30, 2017 and 2016 are as follows:

Benefit Obligation:	<u>2017</u>	<u>2016</u>
Discount rate	3.62%	4.11%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Net periodic pension cost:		
Discount rate	3.31%	3.31%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A

The projected future benefit payments are approximately as follows as of June 30, 2017:

2018	\$ 804,000
2019	662,000
2020	664,000
2021	676,000
2022	685,000
Thereafter	<u>3,481,000</u>
	<u>\$ 6,972,000</u>

To illustrate the impact of the health care cost trend for the postretirement plan, increasing the assumed medical care cost trend rates by 1% in each year would increase the accumulated postretirement benefit obligation by \$86,247 as of June 30, 2017, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$5,179. Decreasing the assumed health care cost trend rates by 1% would decrease the accumulated postretirement benefit obligation by \$77,728 as of June 30, 2017, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$4,639.

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 – 403(b) PENSION PLAN AND OTHER

- A. 403(b) Plan – The Jewish Board offers a 403(b) retirement plan covering all employees. All employees can make salary reduction contributions. The Jewish Board does not make any contributions to the plan.
- B. The Jewish Board maintains a Supplementary Executive Retirement Plan (“SERP”) under Internal Revenue Code Sections 457(b) and 457(f) for certain employees. The Jewish Board contributed approximately \$174,000 and \$164,000, respectively, for the years ended June 30, 2017 and 2016 to the SERP. The fair value of the plans' assets and resulting liabilities aggregated to approximately \$2,292,992 and \$1,976,000, respectively, as of the June 30, 2017 and 2016. Plan assets are included in investments and the related liability is included in other pension liabilities in the accompanying statements of financial position.

NOTE 13 – MULTIEMPLOYER PENSION PLAN

The UJA-Federation and The Jewish Board participate in a multiemployer defined benefit pension plan covering eligible union and non-union employees of these entities as well as eligible employees of participating affiliated agencies of UJA-Federation. The name of the plan is the Retirement Plan for Employees of the United Jewish Appeal-Federation of Jewish Philanthropies of New York, Inc. and Affiliated Agencies and Institutions (the “Plan”). The Plan is filed under the Employer Identification Number 51-0172429 and the three-digit pension plan Number 333.

The Plan follows the single employer funding requirements and is not required to file an annual zone certification under the Pension Protection Act of 2006 (“PPA”) and disclosures concerning a financial improvement plan or a rehabilitation plan are not applicable. The Plan is at least 80% funded using the most recent financial information as of October 1, 2016, the beginning of the Plan year. All employees with a minimum of 1,000 hours worked in a year are eligible to participate. The Jewish Board's share of the retirement plan expense amounted to \$4,546,000 and \$4,500,549 as of June 30, 2017 and 2016. The Jewish Board had recorded a liability for this Plan amounting to \$808,347, which was forgiven in fiscal year 2017 by the UJA-Federation.

NOTE 14 – PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS

A. *Permanently restricted net assets:*

Endowment funds consist of donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Trustees of The Jewish Board has adopted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA moved away from the “historical dollar value” standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. In accordance with NYPMIFA, The Jewish Board classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA. The Jewish Board recognizes that NYPMIFA creates a rebuttable presumption of imprudence if it appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year.

The Jewish Board's investments include the permanently restricted endowment that must be held in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets with a moderate level of risk. To satisfy the long-term rate-of-return objective, The Jewish Board relies on a total return strategy in which investment returns are achieved both through capital appreciation and current yield. The Jewish Board employs a diversified asset allocation to achieve consistency of returns and to minimize risk. Interest earned in relation to the endowment funds is recorded as unrestricted, since it is appropriated and spent in the year it is earned.

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 14 – PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS (continued)

Investments to be held in perpetuity amounted to \$6,565,209 as of both June 30, 2017 and 2016. The income generated is expendable to support the general operating activities of The Jewish Board once appropriated.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. Such situations are commonly referred to as being "underwater." When an underwater endowment fund exists, it is classified as a reduction of unrestricted net assets. As of June 30, 2017 and 2016, the endowment funds that were underwater amounted to \$0 and \$120,068, respectively.

The change in endowment net assets for the year ended June 30, 2017 follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity gain	\$ 120,068	\$ 816,273	\$ -	\$ 936,341
Amount appropriated by the Board of Trustees	<u>-</u>	<u>(248,928)</u>	<u>-</u>	<u>(248,928)</u>
Net change	120,068	567,345	-	687,412
Balance, beginning of year	<u>(120,068)</u>	<u>-</u>	<u>6,565,209</u>	<u>6,445,141</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 567,345</u>	<u>\$ 6,565,209</u>	<u>\$ 7,132,553</u>

The change in endowment net assets for the year ended June 30, 2016 follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity (loss)	\$ (120,068)	\$ (36,932)	\$ -	\$ (157,000)
Amount appropriated by the Board of Trustees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change	(120,068)	(36,932)	-	(157,000)
Balance, beginning of year	<u>-</u>	<u>36,932</u>	<u>6,565,209</u>	<u>6,602,141</u>
Balance, end of year	<u>\$ (120,068)</u>	<u>\$ -</u>	<u>\$ 6,565,209</u>	<u>\$ 6,445,141</u>

B. Temporarily Restricted Net Assets:

As of June 30, 2017 and 2016, temporarily restricted net assets were restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Residential	\$ 3,544,857	\$ 3,816,404
Community services	3,066,258	3,285,173
Education	8,286,935	7,500,595
Unappropriated earnings	567,345	-
Other	<u>15,086</u>	<u>17,642</u>
	<u>\$ 15,480,479</u>	<u>\$ 14,619,814</u>

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 14 – PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS (continued)

Time restricted net assets of approximately \$600,000 and \$1.2 million, respectively, are included under community services as of June 30, 2017 and 2016.

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	<u>2017</u>	<u>2016</u>
Residential	\$ 363,877	\$ 188,708
Community services	243,172	129,322
Education	885,853	-
Appropriated earnings	248,928	-
Other	<u>3,000</u>	<u>3,000</u>
	<u>\$ 1,744,830</u>	<u>\$ 321,030</u>

NOTE 15 – COMMITMENTS AND CONTINGENCIES

A. The Jewish Board has a number of operating lease agreements. As of June 30, 2017, annual minimum rentals payable for real and personal property, principally under long-term noncancellable operating leases expiring at varying dates through 2027, are as follows:

	<u>Real Property</u>	<u>Vehicles and Equipment</u>	<u>Total</u>
2018	\$ 18,377,000	\$ 632,000	\$ 19,009,000
2019	10,683,000	335,000	11,018,000
2020	6,385,000	32,000	6,417,000
2021	3,498,000	-	3,498,000
2022	2,420,000	-	2,420,000
Thereafter	<u>8,381,000</u>	<u>-</u>	<u>8,381,000</u>
	<u>\$ 49,744,000</u>	<u>\$ 999,000</u>	<u>\$ 50,743,000</u>

Rent expense amounted to the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Real property	\$ 21,789,997	\$ 21,612,390
Vehicles and equipment	<u>772,826</u>	<u>905,789</u>
	<u>\$ 22,562,823</u>	<u>\$ 22,518,179</u>

B. The Jewish Board is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect upon the financial position of The Jewish Board.

C. The Jewish Board receives a significant portion of its revenue for services provided from third-party government reimbursement agencies. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. The Jewish Board, when appropriate, records an estimated liability to funding sources for excess reimbursement over allowable costs and underspending of interim rates.

JEWISH BOARD OF FAMILY AND CHILDREN'S SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued)

The Jewish Board received in the form of additional Medicaid funding for its clinic and other related services called a Comprehensive Outpatient Services (“COPS”) add-on. The COPS add-on was derived from a formula calculated by the New York State Office of Mental Health (“OMH”). After certain revenue thresholds were achieved for some services, a COPS Medicaid liability became due for payments received in excess of those revenue amounts. Effective October 2013, the COPS funding was discontinued statewide and the final reconciliation is complete. The Jewish Board is currently awaiting further action including future repayment terms. As of June 30, 2017 and 2016, the COPS liability included in due to funding sources in the accompanying statements of financial position amounted to approximately \$1.3 million and \$5.8 million, respectively.

The Jewish Board receives certain funding for its programs in the form of operational grants, which usually pertain to a period of one year or longer. This support is restricted to operations within the terms of the grants and, accordingly, recognition of grant support is deferred until qualifying expenditures are incurred. Any excess of grant support over expenses incurred is recorded as due to funding sources, in the accompanying statement of financial position.

- D. The Jewish Board believes it has no uncertain tax positions as of June 30, 2017 and 2016 in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 16 – CONCENTRATIONS

- A. Cash and cash equivalents that potentially subject The Jewish Board to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2017 and 2016, there was approximately \$5.1 million and \$7.4 million, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.
- B. Certain full-time employees of The Jewish Board are covered by collective bargaining agreements as of June 30, 2017. These agreements stipulate wage levels and differentials, participation in group benefits, multi-employer pension plans and certain agreements with regard to paid time off and leave policies, work hours and schedules, personnel policies and discipline. As of June 30, 2017 and 2016, The Jewish Board estimated approximately 45% and 47%, respectively, of its employees are covered under collective bargaining agreements.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 30, 2017, the date the financial statements were issued.