

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006



**JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Consolidated Statements of Financial Position	3 - 4
Consolidated Statements of Activities	5 - 6
Consolidated Statement of Functional Expenses - 2007	7
Consolidated Statement of Functional Expenses - 2006	8
Consolidated Statements of Cash Flows	9 - 10
Notes to Consolidated Financial Statements	11- 25
Schedule of Expenditures of Federal Awards	26
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	27 - 28
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program on Internal Control Over Compliance in Accordance With OMB Circular A-133	29 - 30
Schedule of Findings and Questioned Costs	31
Summary Schedule of Prior Audit Findings	32



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

1843 Hotel Circle South
Suite 300
San Diego, California
92108-3397
619.294.7200
619.294.7077 fax
www.leaf-cole.com
leafcole@leaf-cole.com

Steven W. Northcote, C.P.A.
Michael S. Schreiberman, C.P.A.
Michael J. Zizzi, C.P.A.
Julie A. Firl, C.P.A.
Nicholas M. Gines, C.P.A.

Members

*American Institute of Certified Public Accountants
California Society of Certified Public Accountants*

To the Board of Directors
Jewish Family Service of San Diego
8804 Balboa Avenue
San Diego, California 92123

We have audited the accompanying consolidated statements of financial position of Jewish Family Service of San Diego as of June 30, 2007 and 2006, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Controller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Family Service of San Diego as of June 30, 2007 and 2006 and changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2007, on our consideration of Jewish Family Service of San Diego's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should not be considered in assessing the results of our audit.

To the Board of Directors
S Jewish Family Service of San Diego

Page 2

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management of Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Leaf & Cole, LLP

San Diego, California
September 15, 2007

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
<u>Current Assets:</u> (Notes 1, 3, 4, 5 and 9)		
Cash and cash equivalents	\$ 3,736,860	\$ 3,703,368
Investments	1,908,769	-0-
Accrued interest receivable	10,432	11,285
Accounts receivable, net	376,756	197,756
Grants and contracts receivable	908,071	440,777
HFLA loans receivable, net	27,531	36,431
Prepaid expenses	56,739	54,132
Prepaid taxes	-0-	197
Unconditional promises to give, net	3,198,343	2,036,994
Other assets	<u>1,746,195</u>	<u>1,746,195</u>
Total Current Assets	<u>11,969,696</u>	<u>8,227,135</u>
<u>Noncurrent Assets:</u> (Notes 1, 3, 5, 6 and 9)		
Investments	8,321,200	5,900,107
Unconditional promises to give, net	4,502,160	2,828,513
Deposits	15,163	10,585
Land, buildings and equipment, net	8,583,354	6,748,810
Bond issuance costs, net	<u>137,731</u>	<u>143,490</u>
Total Noncurrent Assets	<u>21,559,608</u>	<u>15,631,505</u>
 TOTAL ASSETS	 <u>\$33,529,304</u>	 <u>\$23,858,640</u>

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

LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
<u>Current Liabilities:</u> (Note 1)		
Accounts payable	\$ 352,953	\$ 358,620
Accrued expenses	1,040,384	763,679
Taxes payable	161,354	-0-
Security deposits	2,275	5,525
Unearned revenue	28,305	22,412
Current portion of noncurrent liabilities	<u>3,515,678</u>	<u>1,409,022</u>
Total Current Liabilities	<u>5,100,949</u>	<u>2,559,258</u>
 <u>Noncurrent Liabilities:</u> (Notes 7, 8 and 9)		
Deferred compensation	506,434	412,545
Bonds payable, less current portion	6,835,000	9,000,000
Notes payable, less current portion	<u>374,201</u>	<u>315,857</u>
Total Noncurrent Liabilities	<u>7,715,635</u>	<u>9,728,402</u>
 Total Liabilities	<u>12,816,584</u>	<u>12,287,660</u>
 <u>Commitments</u> (Notes 7, 10 and 11)		
 <u>Net Assets:</u> (Notes 1, 12 and 13)		
Unrestricted	5,631,578	3,723,559
Temporarily restricted	13,225,143	6,110,403
Permanently restricted	<u>1,855,999</u>	<u>1,737,018</u>
Total Net Assets	<u>20,712,720</u>	<u>11,570,980</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$33,529,304</u>	 <u>\$23,858,640</u>

**JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<u>Unrestricted Net Assets:</u>		
<u>Support and Revenues:</u>		
Grants and contracts	\$ 4,002,947	\$ 3,089,012
Contributions	2,718,606	2,701,948
Charitable auto resources fees	2,222,589	1,567,813
Gain on sale of land, buildings and equipment	1,298,906	481,731
Net assets released from restrictions	726,790	194,713
Program revenue	692,989	765,613
Investment income	642,860	309,921
Fees and other revenue	<u>317,777</u>	<u>256,817</u>
Total Support and Revenue	<u>12,623,464</u>	<u>9,367,568</u>
<u>Expenses:</u>		
<u>Program Services:</u>		
Jewish Family Service of San Diego	7,585,968	6,214,093
Charitable Auto Resources	<u>1,285,459</u>	<u>1,029,086</u>
Total Program Services	<u>8,871,427</u>	<u>7,243,179</u>
<u>Supporting Services:</u>		
General and administrative	1,014,105	546,107
Fundraising	<u>502,186</u>	<u>722,934</u>
Total Supporting Services	<u>1,516,291</u>	<u>1,269,041</u>
Total Expenses	<u>10,387,718</u>	<u>8,512,220</u>
Change in Unrestricted Net Assets Before Income Taxes	2,235,746	855,348
Provision for Income Taxes	<u>327,726</u>	<u>192,693</u>
Change in Unrestricted Net Assets	<u>1,908,020</u>	<u>662,655</u>
<u>Temporarily Restricted Net Assets:</u>		
Contributions	7,765,759	5,970,440
Investment income	75,770	4,491
Net assets released from restrictions	<u>(726,790)</u>	<u>(194,713)</u>
Change in Temporarily Restricted Net Assets	<u>7,114,739</u>	<u>5,780,218</u>

(Continued)

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

**JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<u>Permanently Restricted Net Assets:</u>		
Contributions	\$ 56,571	\$ 119,125
Investment income (loss)	<u>62,410</u>	<u>(7,072)</u>
Change in Permanently Restricted Net Assets	<u>118,981</u>	<u>112,053</u>
Change in Net Assets	9,141,740	6,554,926
Net Assets at Beginning of Year, As Restated (Note 13)	<u>11,570,980</u>	<u>5,016,054</u>
NET ASSETS AT END OF YEAR	<u>\$20,712,720</u>	<u>\$11,570,980</u>

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

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	Program Services	Supporting Services		Total	Jewish Family Service of San Diego	Charitable Auto Resources, Inc.	Eliminations	Total Expenses
		General and Administrative	Fundraising	Supporting Services				
<u>Salaries and Related Expenses</u>								
Salaries and wages	\$4,178,103	\$ 352,067	\$206,265	\$ 558,332	\$4,736,435	\$ 709,748	\$	\$ 5,446,183
Payroll taxes	368,873	30,141	15,657	45,798	414,671	59,840		474,511
Employee benefits	351,881	26,384	19,643	46,027	397,908	53,082		450,990
Total Salaries and Related Expenses	<u>4,898,857</u>	<u>408,592</u>	<u>241,565</u>	<u>650,157</u>	<u>5,549,014</u>	<u>822,670</u>	<u>-0-</u>	<u>6,371,684</u>
<u>Nonsalary Related Expenses</u>								
Administrative expenses allocated	(12,625)	11,130	1,495	12,625	-0-			-0-
Advertising and promotion	184,775	1,971	2,409	4,380	189,155	46,426		235,581
Bank fees and payroll processing	9,369	13,755	12,262	26,017	35,386	9,359		44,745
Conferences and meetings	10,653	11,542		11,542	22,195	25,464		47,659
Consultants	39,153	18,079	703	18,782	57,935	69,219		127,154
Contributions	-0-			-0-	-0-	25,000	(25,000)	-0-
Depreciation and amortization	205,930	35,199	8,559	43,758	249,688			249,688
Emergency assistance	200,253			-0-	200,253			200,253
Equipment rental and expense	124,111	15,651	4,796	20,447	144,558	22,151		166,709
Fundraising	392	267	78,767	79,034	79,426			79,426
Holocaust home care	136,361			-0-	136,361			136,361
Human resources allocated	101,802	(101,802)		(101,802)	-0-			-0-
Insurance	61,084	15,650	1,157	16,807	77,891	26,684		104,575
Interest expense	113,759	425,345		425,345	539,104			539,104
Lab fees	55,303		4,191	-0-	55,303			55,303
Legal, accounting and audit	29,130	25,874		30,065	59,195	14,518		73,713
Memberships/subscriptions	12,400	13,331	1	13,332	25,732			25,732
Miscellaneous	53,329	15,640	271	15,911	69,240	4,889		74,129
Office and computer supplies	57,427	9,690	3,383	13,073	70,500	15,334		85,834
Postage	27,316	3,599	4,778	8,377	35,693	19,911		55,604
Printing	69,691	4,305	13,303	17,608	87,299	6,445		93,744
Professional fees	197,889	39,371	103,192	142,563	340,452	116,794	(113,558)	343,688
Program expenses	366,944	270	9,101	9,371	376,315			376,315
Property and other taxes	(6,071)	986	(2,754)	(1,768)	(7,839)			(7,839)
Rent	231,119	2,669	7,285	9,954	241,073	43,706		284,779
Repairs and maintenance	91,081	6,987	2,670	9,657	100,738	5,587		106,325
Staff development	18,160	3,961		3,961	22,121	765		22,886
Subcontractor fees	1,940	11		11	1,951			1,951
Telephone	82,371	4,215	1,307	5,522	87,893	50,485		138,378
Temporary help	-0-			-0-	-0-	41,424		41,424
Transportation service	46,056	8,996	396	9,392	55,448			55,448
Travel, entertainment and transportation	110,320	4,068	594	4,662	114,982	41,228		156,210
Utilities	75,749	14,753	2,755	17,508	93,257	7,898		101,155
Total Nonsalary Related Expenses	<u>2,695,171</u>	<u>605,513</u>	<u>260,621</u>	<u>866,134</u>	<u>3,561,305</u>	<u>593,287</u>	<u>(138,558)</u>	<u>4,016,034</u>
Total Functional Expenses	7,594,028	1,014,105	502,186	1,516,291	9,110,319	1,415,957	(138,558)	10,387,718
Less: Intercompany	(8,060)			-0-	(8,060)	(130,498)		-0-
TOTAL EXPENSES	<u>\$7,585,968</u>	<u>\$1,014,105</u>	<u>\$502,186</u>	<u>\$1,516,291</u>	<u>\$9,102,259</u>	<u>\$1,285,459</u>	<u>\$ -0-</u>	<u>\$10,387,718</u>

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

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006

	Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Jewish Family Service of San Diego	Charitable Auto Resources, Inc.	Eliminations	Total Expenses
Salaries and Related Expenses								
Salaries and wages	\$3,394,182	\$310,364	\$209,099	\$ 519,463	\$3,913,645	\$ 493,484	\$	\$4,407,129
Payroll taxes	306,378	27,686	16,668	44,354	350,732	38,077		388,809
Employee benefits	<u>304,827</u>	<u>24,724</u>	<u>19,773</u>	<u>44,497</u>	<u>349,324</u>	<u>46,750</u>		<u>396,074</u>
Total Salaries and Related Expenses	<u>4,005,387</u>	<u>362,774</u>	<u>245,540</u>	<u>608,314</u>	<u>4,613,701</u>	<u>578,311</u>	<u>-0-</u>	<u>5,192,012</u>
Nonsalary Related Expenses								
Advertising and promotion	225,867	3,520	262	3,782	229,649	60,146		289,795
Bad debts	1,475	15,347	161,285	176,632	178,107			178,107
Bank fees and payroll processing	2,985	14,820	8,883	23,703	26,688	7,807		34,495
Conferences and meetings	11,178	953	2,418	3,371	14,549	17,661		32,210
Consultants	37,455	13,971	3,275	17,246	54,701	38,698		93,399
Contributions			-0-	-0-	-0-	25,250		25,250
Depreciation and amortization	59,204	7,802		7,802	67,006			67,006
Emergency assistance	178,096	3		3	178,099			178,099
Equipment rental and expense	94,506	9,775	5,135	14,910	109,416	19,652		129,068
Fundraising	69	258	82,692	82,950	83,019			83,019
Holocaust home care	110,084			-0-	110,084			110,084
Human resources allocated	79,822	(81,689)	1,867	(79,822)	-0-			-0-
Insurance	53,266	10,319	732	11,051	64,317	24,585		88,902
Interest expense	108,765	47,430		47,430	156,195			156,195
Lab fees	62,952			-0-	62,952			62,952
Legal, accounting and audit	20,979	28,647		28,647	49,626	47,723		97,349
Memberships/subscriptions	4,437	10,752	255	11,007	15,444	655		16,099
Miscellaneous	21,117	14,787	733	15,520	36,637	5,315		41,952
Office and computer supplies	42,880	7,218	3,684	10,902	53,782	11,768		65,550
Postage	28,697	7,583	3,445	11,028	39,725	14,043		53,768
Printing	50,526	998	16,222	17,220	67,746	10,620		78,366
Professional fees	158,541	21,339	172,962	194,301	352,842	106,057	(81,475)	377,424
Program expenses	266,730	202		202	266,932			266,932
Property and other taxes	10,804	2,881		2,881	13,685			13,685
Rent	216,522	2,264	6,922	9,186	225,708	41,572		267,280
Repairs and maintenance	53,689	8,317	2,453	10,770	64,459	4,730		69,189
Staff development	7,926	12,959		12,959	20,885	411		21,296
Subcontractor fees	51,318			-0-	51,318			51,318
Telephone	79,712	3,623	1,038	4,661	84,373	39,723		124,096
Transportation service	48,100	8,833	71	8,904	57,004			57,004
Travel, entertainment and transportation	89,700	4,583	770	5,353	95,053	34,430		129,483
Utilities	<u>44,376</u>	<u>5,838</u>	<u>2,290</u>	<u>8,128</u>	<u>52,504</u>	<u>8,332</u>		<u>60,836</u>
Total Nonsalary Related Expenses	<u>2,221,778</u>	<u>183,333</u>	<u>477,394</u>	<u>660,727</u>	<u>2,882,505</u>	<u>519,178</u>	<u>(81,475)</u>	<u>3,320,208</u>
Total Functional Expenses	6,227,165	546,107	722,934	1,269,041	7,496,206	1,097,489	(81,475)	8,512,220
Less: Intercompany	<u>(13,072)</u>			<u>-0-</u>	<u>(13,072)</u>	<u>(68,403)</u>	<u>81,475</u>	<u>-0-</u>
TOTAL EXPENSES	<u>\$6,214,093</u>	<u>\$546,107</u>	<u>\$722,934</u>	<u>\$1,269,041</u>	<u>\$7,483,134</u>	<u>\$1,029,086</u>	<u>\$ -0-</u>	<u>\$8,512,220</u>

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

**JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$9,141,740	\$6,554,926
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	249,688	67,006
Gain on sale of land, buildings and equipment	(1,298,906)	(481,731)
Net realized and unrealized (gains) and losses on investments	(415,557)	(273,992)
Permanently restricted contributions	(56,571)	(119,125)
Permanently restricted investment (income)/loss	(62,410)	7,072
(Increase) Decrease in:		
Accrued interest receivable	853	(11,285)
Accounts receivable, net	(179,000)	18,464
Grants and contracts receivable	(467,294)	(67,857)
Prepaid expenses	(2,607)	48,689
Prepaid taxes	197	(197)
Unconditional promises to give, net	(2,834,996)	(4,633,406)
Deposits	(4,578)	(2,053)
Increase (Decrease) in:		
Accounts payable	(5,667)	211,405
Accrued expenses	276,705	27,338
Taxes payable	161,354	(245,233)
Security deposits	(3,250)	(1,300)
Unearned revenue	5,893	(40,933)
Deferred compensation	<u>93,889</u>	<u>57,081</u>
Net Cash Provided by Operating Activities	<u>4,599,483</u>	<u>1,114,869</u>
<u>Cash Flows From Investing Activities:</u>		
HELA loans receivable, net	8,900	7,449
Purchase of investments, net	(3,914,305)	(1,558,613)
Proceeds from sale of land, buildings and equipment	1,904,273	529,001
Purchase of land, buildings and equipment	(2,683,840)	(6,083,899)
Bond issuance costs	<u>-0-</u>	<u>(143,490)</u>
Net Cash Used by Investing Activities	<u>(4,684,972)</u>	<u>(7,249,552)</u>

(Continued)

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

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>Cash Flows From Financing Activities:</u>		
Proceeds from bonds payable	\$ -0-	\$9,000,000
Repayments on notes payable	-0-	(121)
Permanently restricted contributions	56,571	119,125
Permanently restricted investment (loss) income	<u>62,410</u>	<u>(7,072)</u>
Net Cash Provided by Financing Activities	<u>118,981</u>	<u>9,111,932</u>
 Net Increase in Cash and Cash Equivalents	 33,492	 2,977,249
 Cash and Cash Equivalents at Beginning of Year	 <u>3,703,368</u>	 <u>726,119</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$3,736,860</u>	 <u>\$3,703,368</u>
 <u>Supplementary Disclosure of Cash Flow Information:</u>		
Interest paid	<u>\$ 412,304</u>	<u>\$ 95,318</u>
Taxes paid	<u>\$ 81,454</u>	<u>\$ 383,973</u>

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

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 1 - Organization and Nature of Activities and Significant Accounting Policies:

Organization and Nature of Activities

The consolidated financial statements will be referred to as “JFS” and include the accounts of the following entities:

Jewish Family Service of San Diego

Jewish Family Service of San Diego (JFS) is a California Not-For-Profit organization that was founded in 1918 by a consortium of women’s clubs who sought to address the myriad of human needs of the time. Today JFS is a comprehensive social service organization with eight locations throughout San Diego County and two facilities in Palm Desert, serving the Coachella Valley. From its early grassroots origins, the agency now serves over 20,000 people annually. The mission of JFS is to strengthen the individual, enhance the family, protect the vulnerable, with human services based on Jewish values.

JFS Foundation, LLC

JFS Foundation, LLC (Foundation) is a California Not-For-Profit organized on March 27, 2006. The Foundation was formed to raise funds for JFS through “The Building on a Tradition of Caring Capital Campaign” with a goal to fund the purchase and renovation of the new headquarters building and endowing a portion of the Older Adult Services.

JFS Holdings, LLC

JFS Holdings, LLC (Holdings) is a California Not-For-Profit organized on March 28, 2006. Holdings was formed to acquire and renovate the new headquarters building.

Charitable Auto Resources, Inc.

Charitable Auto Resources, Inc. (CARS) was incorporated in Delaware December, 2003 as a For-Profit Corporation. CARS is a service orientated car donation management program based in San Diego, California. CARS accepts car donations in all 50 states and the District of Columbia. CARS is dedicated to helping nonprofit organizations raise funds through successful car donation programs. JFS owns 100% of the outstanding common stock of CARS.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Organization and Nature of Activities (Continued)

JFS operates the following programs:

Counseling and Care Management

A broad base of services are available to the community through the following programs:

- . Adoption Alliance of San Diego
- . Caring Community - Living with Cancer
- . Counseling Services
- . Education and Outreach for Jews with Mental Health Concerns
- . Food Pantry
- . Jewish BIGPals for Boys and Girls
- . Project SARAH (Stop Abusive Relationships At Home)
- . Refugee Resettlement and Acculturation
- . Supporting Jewish Single Parents
- . Community Case Management

Coachella Valley Services and Overnight Shelter (CV-SOS)

In partnership with JFS of the Desert, the CV-SOS program feeds and houses 12 to 14 homeless people per night with the help of seven churches and synagogues in the Coachella Valley. JFS also manages Nightingale Manor, a 45-bed emergency shelter for families with children in Palm Springs.

HIV Services

The HIV Services Program provides counseling, testing, and early intervention services to participants of County-funded alcohol, drug treatment, and recovery programs. The program provides educational information to more than 7,000 individuals annually in an effort to prevent the spread of HIV infection. In addition, through this program JFS offers a full array of cash management services including a behavior management program. The Talking About Tina support group meets weekly for HIV-positive men who use methamphetamine. The goal is to help participants reduce and eventually stop their drug use.

**JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Organization and Nature of Activities (Continued)

Parenting, Youth and School-Based Services

A broad base of services are available to families and youth in the community through the following programs:

- . CHAMP (Children Are More Protected)
- . Foothills High School Teen Parent Program
- . Mentoring Mothers
- . Peaceful Parenting (0 - 5 years) and Green Parenting (6 - 18 years)
- . Preschool in the Park
- . School-Based Counseling
- . Wisdom Alliance
- . YAD (Youth Assessment and Development)

Older Adult/Senior Services

A broad base of services are available to older adults through the following Older Adult/Senior Service programs:

- . CO-OP (Creating Opportunities for Older Persons)
- . Care Management
- . Foodmobile
- . Heartfelt Homes Senior Placement Services
- . Information and Referral
- . Jewish Healing Center
- . JFS Fix-It Service
- . Rides & Smiles
- . Senior Nutrition
- . Senior Wheels
- . SOS - Serving Older Holocaust Survivors Program
- . College Avenue Senior Center
- . North County Inland Senior Center
- . University City Senior Center

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies

Consolidated Financial Statements

The consolidated financial statements include the accounts of Jewish Family Service of San Diego, JFS Foundation, LLC, JFS Holdings, LLC and Charitable Auto Resources, Inc. All material intercompany transactions have been eliminated in consolidation.

Method of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The consolidated financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, Financial Statements of Not-For-Profit Organizations, which requires JFS to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted assets.

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.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. The allowance for doubtful accounts totalled \$31,689 and \$33,176 for accounts receivable and \$5,795 and \$1,475 for HFLA loans receivable at June 30, 2007 and 2006, respectively.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give to the JFS that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Investments

JFS has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organization." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost. Donations of land, buildings 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 assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, JFS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. JFS reclassifies temporarily restricted net assets to unrestricted net assets at that time. Land, buildings and equipment is depreciated using the straight-line method over the estimated useful asset lives as follows:

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Land, Buildings and Equipment (Continued)

Buildings and improvements	5 - 31.5 years
Equipment	5 - 7 years
Furniture and equipment	5 - 7 years
Vehicles	5 years

Depreciation aggregated \$243,929 and \$67,006 for the years ended June 30, 2007 and 2006, respectively.

Amortization

Bond issuance costs totalling \$137,731 and \$143,490, net of accumulated amortization of \$5,759 and \$-0- at June 30, 2007 and 2006, respectively are amortized on the straight-line method based on the term of the related debt. Amortization expense totalled \$5,759 and \$-0- for the years ended June 30, 2007 and 2006, respectively.

Compensated Absences

Vested and accumulated personal time off (PTO) is recorded as an expense and liability as benefits accrue to employees. The accrued PTO liability totalled \$259,276 and \$198,635 at June 30, 2007 and 2006, respectively and is included in accrued expenses.

Revenue Recognition

Grant and contract revenue are recognized in the period in which the related work is performed in accordance with the terms of the grant or contract. Grants receivable are recorded when revenue earned under a grant or contract exceeds the cash received. Deferred revenue is recorded when cash received under a grant or contract exceeds the revenue earned. Unearned revenue totalled \$28,305 and \$22,412 at June 30, 2007 and 2006, respectively.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30,2007 AND 2006

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Contributed Services

Donated services have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of such services. Nevertheless, volunteers have donated significant amounts of their time in JFS's program services and its fundraising campaigns.

Allocated Expenses

Expenses by function have been allocated by program and supporting services classifications on the basis of internal records and estimates made by JFS's management.

Income Taxes

JFS, Foundation and Holdings are public charities and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

CARS is a Delaware corporation subject to federal and state income taxes on its net earnings. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of current taxes totalling \$327,726 and \$192,693 for the years ended June 30, 2007 and 2006, respectively. Income taxes prepaid/(payable) totalled \$(161,354) and \$197 at June 30, 2007 and 2006, respectively.

Concentration of Credit Risk

JFS maintained its cash in bank deposit accounts which, at times, may exceed federally insured limits. JFS has not experienced any losses in such accounts. JFS believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statement of cash flows, JFS consider all investment instruments purchased with a maturity of three months or less to be cash equivalents.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 2 - Grants and Contracts Receivable:

Grants and contracts receivable consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
County of San Diego	\$388,271	\$208,602
County of Riverside	205,501	-0-
Conference on Jewish Material Claims Against Germany, Inc.	126,200	86,026
Hebrew Immigrant Aid Society	56,267	36,839
Grossmont Healthcare District	44,948	16,675
JFS of Desert	26,600	-0-
Catholic Charities	24,428	8,578
Desert Healthcare District	14,018	8,110
Other grants and contracts	13,125	11,340
Regional Access Project	6,932	14,445
Department of Health and Human Services	1,781	10,470
United Jewish Federation	-0-	28,324
St. Vincent de Paul	<u>-0-</u>	<u>11,368</u>
Total Grants and Contracts Receivable	<u>\$908,071</u>	<u>\$440,777</u>

Management believes all grants and contracts receivable are fully collectible, therefore no allowance for uncollectible grants and contracts receivable has been recorded at June 30, 2007 and 2006.

Note 3 - Unconditional Promises to Give:

Unconditional promises to give consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
Receivable in less than one year	\$3,568,686	\$2,531,428
Less: Allowance for Uncollectible	(365,910)	(490,001)
Discount	<u>(4,433)</u>	<u>(4,433)</u>
Receivable in less than one year, net	<u>3,198,343</u>	<u>2,036,994</u>
Receivable in one to five years	5,506,323	3,920,000
Receivable in more than five years	62,500	125,000
Less: Allowance for Uncollectible	(97,388)	(192,250)
Discount	<u>(969,275)</u>	<u>(1,024,237)</u>
Receivable in more than one year, net	<u>4,502,160</u>	<u>2,828,513</u>
Total Unconditional Promises to Give, Net	<u>\$7,700,503</u>	<u>\$4,865,507</u>

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 3 - Unconditional Promises to Give: (Continued)

Uncollectible unconditional promises to give are recognized on the allowance method based on historical experience and management's evaluation of outstanding unconditional promises to give. The allowance for uncollectible unconditional promises to give is \$463,298 and \$682,251 at June 30, 2007 and 2006, respectively.

The unconditional promises to give have been discounted to their net present value using a 6% discount rate.

Note 4 - Other Assets:

In May, 2005, JFS acquired the Hope Village Project, a 20 unit apartment complex. JFS's plans were to renovate the project in order to provide affordable housing to low-income residents. In August, 2006 JFS determined that the project would not meet the needs of the anticipated program recipients and has agreed to transfer the property to another nonprofit upon their successful completion of financing arrangements. The property was transferred on September 5, 2007.

Note 5 - Investments:

JFS maintains its investments at the Jewish Community Foundation and in State of Israel Bonds. These funds are classified as permanently restricted if the investments must be maintained in perpetuity. The funds held at the Jewish Community Foundation are invested in one of four investment pools. Pool A is a Money Market Pool that seeks principal preservation by investing in money market funds. Pool B is an Interest-Income Pool that seeks higher interest income than Pool A with a moderate risk of principal loss. Pool C is an Equity-Income Pool that invests in a combination of stock and bond funds, while taking on more market risk than Pools A or B. Pool D is a Growth Pool that seeks the highest level of return of the Pools by investing in a combination of stock and bonds funds, with an increased risk of investment losses. Investments consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
Current:		
U.S. Treasury Bill	\$ 480,950	\$ -0-
U.S. Treasury Bond	482,939	-0-
U.S. Treasury Note	<u>944,880</u>	<u>-0-</u>
Total Current	<u>1,908,769</u>	<u>-0-</u>
Noncurrent:		
Pool A - Money Market	2,418,692	2,387,503
Pool C - Equity Income	506,434	412,545
Pool D - Growth Fund	5,394,074	3,098,059
State of Israel Bonds	<u>2,000</u>	<u>2,000</u>
Total Noncurrent	<u>8,321,200</u>	<u>5,900,107</u>
 Total Investments	 <u>\$10,229,969</u>	 <u>\$5,900,107</u>

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 5 - Investments: (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	<u>2007</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest	\$247,870	\$79,660	\$	\$327,530
Net realized and unrealized gains (losses)	415,717	(160)	66,385	481,942
Investment fees	<u>(20,727)</u>	<u>(3,730)</u>	<u>(3,975)</u>	<u>(28,432)</u>
Total Investment Income (Loss)	<u>\$642,860</u>	<u>\$75,770</u>	<u>\$62,410</u>	<u>\$781,040</u>

	<u>2006</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest	\$ 47,395	\$4,869	\$	\$ 52,264
Net realized and unrealized gains (losses)	273,992		(5,641)	268,351
Investment fees	<u>(11,466)</u>	<u>(378)</u>	<u>(1,431)</u>	<u>(13,275)</u>
Total Investment Income (Loss)	<u>\$309,921</u>	<u>\$4,491</u>	<u>\$(7,072)</u>	<u>\$307,340</u>

Note 6 - Land, Buildings and Equipment:

Land, buildings and equipment consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
Land	\$2,023,335	\$ 253,000
Buildings and improvements	6,016,784	550,100
Furniture and fixtures	386,489	431,782
Computer equipment	434,185	68,981
Vehicles	<u>129,173</u>	<u>129,173</u>
Total	8,989,966	1,433,036
Less: Accumulated depreciation	<u>(406,612)</u>	<u>(748,900)</u>
	8,583,354	684,136
New headquarters land, building and improvements	<u>-0-</u>	<u>6,064,674</u>
Land, Buildings and Equipment, Net	<u>\$8,583,354</u>	<u>\$6,748,810</u>

The new headquarters land, building and improvements were under renovation at June 30, 2006. These assets were placed in service in fiscal year 2007.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 7 - Deferred Compensation:

JFS has a deferred compensation agreement with an executive employee. The plan provides for quarterly contributions to investment accounts held at the Jewish Community Foundation set aside for this purpose. Contributions totalled \$45,000 and \$45,000 for the years ended June 30, 2007 and 2006, respectively and are included in employee benefits in the consolidated statement of functional expenses. The deferred compensation liability totalled \$506,434 and \$412,545 at June 30, 2007 and 2006, respectively and is fully funded at June 30, 2007 and 2006. The asset is included in investments in Pool C at June 30, 2007 and 2006.

Note 8 - Bonds Payable:

	<u>2007</u>	<u>2006</u>
Colorado Educational and Cultural Facilities Authority Variable Rate Demand Revenue Bonds (National Jewish Federation Bond Program) Series C-3 dated May 1, 2006. The bonds bear interest at a variable rate (adjusted daily) which was 3.86% and 4.03% at June 30, 2007 and 2006, respectively. Annual principal payments are required beginning January 1, 2008 and continuing through January 1, 2031. The loan is collateralized by a letter of credit (Note 11) .	\$9,000,000	\$9,000,000
Less: Current portion	(2,165,000)	-0-
	<u>\$6,835,000</u>	<u>\$9,000,000</u>

The future principal payments on the bonds payable are as follows:

As of	
<u>June 30,</u>	
2008	\$2,165,000
2009	175,000
2010	180,000
2011	190,000
2012	200,000
Thereafter	<u>6,090,000</u>
	<u>\$9,000,000</u>

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 9 - Notes Payable:

Notes payable consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
Note payable to San Diego National Bank in the initial amount of \$380,000. The note is payable in monthly interest only payments at the prime rate (8.25% at June 30, 2007 and 2006) until the conversion date at which time the loan will be payable in monthly installments required to fully amortize the loan by its due date of May 12, 2011. Secured by real property.	\$ 379,879	\$ 379,879
Note payable to Low Income Investment Fund in the original amount of \$735,000. The note is payable in monthly interest only payments at 7.25%. Principal and accrued interest are due August 31, 2007. Secured by real property.	735,000	735,000
Note payable to Corporation for Supportive Housing in the original amount of \$610,000. The note is payable in monthly interest only payments at 5.00%. Principal and accrued interest were due March 31, 2006, but the lender has agreed to an extension to August 31, 2007. Secured by real property.	<u>610,000</u>	<u>610,000</u>
Total Notes Payable	1,724,879	1,724,879
Less: Current portion	<u>(1,350,678)</u>	<u>(1,409,022)</u>
Notes Payable, Net	<u>\$ 374,201</u>	<u>\$ 315,857</u>

The future principal payments on the notes payable are as follows:

As of	
<u>June 30,</u>	
2008	\$1,350,678
2009	6,165
2010	6,693
2011	<u>361,343</u>
	<u>\$1,724,879</u>

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 10 - Retirement Plan:

JFS has established a 401(k) retirement plan (the "Plan") covering all full-time employees of JFS. The Plan allows for employee contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code if they wish beginning on their hire date. JFS may make a discretionary contribution to the Plan on an annual basis. Employees are eligible to participate in JFS's contribution if they are 21 years of age and have completed 975 hours of service during the Plan year. JFS contributed \$106,648 and \$99,173 to plan for the years ended June 30, 2007 and 2006, respectively.

Note 11 - Commitments:

Facility Operating Leases

JFS leases office facilities under lease agreements expiring through July, 2010.

The future minimum obligation under these lease agreements are as follows at June 30:

As of	
<u>June 30,</u>	
2008	\$ 85,664
2009	52,164
2010	52,164
2011	<u>4,347</u>
Total	<u>\$194,339</u>

Rent expense for the office facilities totalled \$284,779 and \$267,280 for the years ended June 30, 2007 and 2006, respectively.

Letter of Credit

The bonds payable to the Colorado Educational and Cultural Facilities Authority require JFS to provide an irrevocable Letter of Credit. The Letter of Credit was issued by US Bank in the amount of the bonds outstanding (\$9,000,000 at June 30, 2007 and 2006). Unreimbursed drawings under the letter of credit for a liquidity drawings will bear interest for the first 90 days at the bank's prime rate (floating) during any three-year period, and thereafter, at the bank's prime rate (floating), plus 2.0% per annum. Other unreimbursed drawings will bear interest at the reimbursement rate from the date of the draw. The Letter of Credit will expire on May 15, 2011 unless it expires earlier or is extended in accordance with its terms. JFS pays a quarterly fee on the Letter of Credit to Wells Fargo Bank, N.A. No demands for payment were made on the Letter of Credit as of June 30, 2007.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 12 - Net Assets:

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2007</u>	<u>2006</u>
Capital Campaign	\$ 9,370,066	\$5,725,371
Madeline Goldberg Foundation	2,459,212	-0-
Pledge receivable, net	707,371	-0-
Grants and Contributions with time and purpose restrictions	566,917	227,061
Hebrew Free Loan Assistance (HFLA)	121,577	135,471
Holocaust Services	<u>-0-</u>	<u>22,500</u>
Total Temporarily Restricted Net Assets	<u>\$13,225,143</u>	<u>\$6,110,403</u>

For the years ended June 30, 2007 and 2006, net assets in the amount of \$726,790 and \$194,713, respectively were released from donor restrictions by incurring expenses and events satisfying the purpose or time restrictions specified by donors.

Permanently Restricted Net Assets:

Permanently restricted net assets consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
General Endowment Funds	\$ 908,843	\$ 867,443
Katzin Endowment Fund	608,164	558,153
Endowment Unconditional Promises to Give, Net	226,421	211,250
Chortek Endowment Fund	<u>112,571</u>	<u>100,172</u>
Total Permanently Restricted Net Assets	<u>\$1,855,999</u>	<u>\$1,737,018</u>

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 13 - Prior Period Adjustment:

Certain errors resulting in an increase in net assets of \$737,022 at June 30, 2005 were corrected and are summarized as follows:

	<u>Jewish Family Services of San Diego</u>			<u>Consolidated</u>	<u>Charitable Auto</u>
	<u>Unrestricted</u>	<u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>	<u>Total</u>	<u>Resources, Inc.</u> <u>Unrestricted</u>
June 30, 2005, As Originally Reported	\$3,454,716	\$165,858	\$ 658,458	\$4,279,032	\$150,809
Adjustments:					
Record Katzin endowment			565,397	565,397	
Reclassify donor restricted endowment fund	(401,110)		401,110	-0-	
Reclassify donor restricted contributions	(164,327)	164,327		-0-	
Adjust investment in subsidiary	(21,588)			(21,588)	
Adjust unconditional promises to give	(50,000)			(50,000)	
Adjust accumulated depreciation	30,539			30,539	
Adjust deferred revenue	178,043			178,043	
Adjust accrued expenses				-0-	(50,828)
Other adjustments	<u>34,631</u>	<u> </u>	<u> </u>	<u>34,631</u>	<u>(9,792)</u>
June 30, 2005, As Restated	<u>\$3,060,904</u>	<u>\$330,185</u>	<u>\$1,624,965</u>	<u>\$5,016,054</u>	<u>\$ 90,189</u>

Charitable Auto Resources, Inc. unrestricted net assets are eliminated in consolidation.

**JEWISH FAMILY SERVICE OF SAN DIEGO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:		
Direct Program:		
Special Programs for the Aging, Title IV and Title II Discretionary Projects	93.048	\$ 59,909
Pass-Through Programs From:		
County of San Diego:		
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	86,444
National Family Caregiver Support	93.052	67,195
Block Grants for Prevention and Treatment of Substance Abuse	93.959	807,274
Refugee and Entrant Assistance, Discretionary Grants	93.576	8,062
Catholic Charities:		
Refugee and Entrant Assistance, Wilson/Fish Program	93.583	120,735
Hebrew Immigrant Aid Society:		
Refugee and Entrant Assistance, Discretionary Grants	93.576	<u>108,472</u>
Total U.S. Department of Health and Human Services		<u>1,258,091</u>
U.S. Department of Housing and Urban Development:		
Pass-Through Programs From:		
St. Vincent de Paul:		
Supportive Housing Program	14.235	<u>35,565</u>
Total U.S. Department of Housing and Urban Development		<u>35,565</u>
Department of State:		
Pass -Through Programs From:		
Hebrew Immigrant Aid Society:		
U.S. Refugee Admissions Program	19.510	<u>62,032</u>
Total Department of State		<u>62,032</u>
Department of Homeland Security:		
Pass-Through Program From:		
United Way of America:		
Emergency Food and Shelter National Board Program	97.024	<u>2,830</u>
Total Department of Homeland Security		<u>2,830</u>
Total Expenditures of Federal Awards		<u>\$1,358,518</u>

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

1843 Hotel Circle South
Suite 300
San Diego, California
92108-3397
619.294.7200
619.294.7077 fax
www.leaf-cole.com
leafcole@leaf-cole.com

Steven W. Northcote, C.P.A.
Michael S. Schreiber, C.P.A.
Michael J. Zizzi, C.P.A.
Julie A. Firl, C.P.A.
Nicholas M. Gines, C.P.A.

Members

*American Institute of Certified Public Accountants
California Society of Certified Public Accountants*

**Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With Government Auditing Standards**

To the Board of Directors
Jewish Family Service of San Diego

We have audited the financial statements of Jewish Family Service of San Diego (A Nonprofit Organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jewish Family Service of San Diego's internal control of financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jewish Family Service of San Diego's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Jewish Family Service of San Diego in a separate letter dated September 15, 2007.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Leaf & Cole, LLP

San Diego, California
September 15, 2007



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

1843 Hotel Circle South
Suite 300
San Diego, California
92108-3397
619.294.7200
619.294.7077 fax
www.leaf-cole.com
leafcole@leaf-cole.com

Steven W. Northcote, C.P.A.
Michael S. Schreiberman, C.P.A.
Michael J. Zizzi, C.P.A.
Julie A. Firl, C.P.A.
Nicholas M. Gines, C.P.A.

Members

*American Institute of Certified Public Accountants
California Society of Certified Public Accountants*

**Independent Auditor's Report on
Compliance With Requirements Applicable to Each
Major Program on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

To the Board of Directors
Jewish Family Service of San Diego

Compliance

We have audited the compliance of Jewish Family Service of San Diego with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Jewish Family Service of San Diego's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jewish Family Service of San Diego's management. Our responsibility is to express an opinion on Jewish Family Service of San Diego's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jewish Family Service of San Diego's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Jewish Family Service of San Diego's compliance with those requirements.

In our opinion, Jewish Family Service of San Diego complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Jewish Family Service of San Diego is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jewish Family Service of San Diego's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jewish Family Service of San Diego's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Leah Cole" followed by a stylized flourish.

San Diego, California
September 15, 2007

**JEWISH FAMILY SERVICE OF SAN DIEGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	___X___ None reported
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unqualified	
Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiencies identified not considered to be material weakness(es)?	_____ Yes	___X___ None reported
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	___X___ No

Identification of major programs:	U.S. Department of Health and Human Services
-----------------------------------	--

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	___X___ Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**JEWISH FAMILY SERVICE OF SAN DIEGO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

There were no prior audit findings for Jewish Family Service of San Diego relative to federal awards.