

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008



**JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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To the Board of Directors
Jewish Family Service of San Diego
8804 Balboa Avenue
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We have audited the accompanying consolidated statements of financial position of Jewish Family Service of San Diego as of June 30, 2009 and 2008, 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 consolidated 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 consolidated financial position of Jewish Family Service of San Diego as of June 30, 2009 and 2008, and changes in their consolidated net assets and their consolidated 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 October 13, 2009, 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.

Our audits were 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
October 13, 2009

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
<u>Current Assets:</u> (Notes 1, 2 and 3)		
Cash and cash equivalents	\$ 1,876,176	\$ 1,905,127
Accounts receivable, net	415,871	539,085
Grants and contracts receivable, net	1,153,997	905,690
HFLA loans receivable, net	55,850	39,240
Other loans receivable, net	6,000	47,843
Prepaid expenses	48,517	63,162
Unconditional promises to give, net	2,655,863	3,220,848
Total Current Assets	<u>6,212,274</u>	<u>6,720,995</u>
<u>Noncurrent Assets:</u> (Notes 1, 3, 4, 5, 6, and 7)		
Investments	8,689,919	9,879,140
Unconditional promises to give, net	1,505,258	3,104,521
Deposits	33,281	24,252
Land, buildings and equipment, net	7,934,180	8,313,188
Bond issuance costs, net	126,214	131,972
Beneficial interest in endowment funds	754,670	783,414
Total Noncurrent Assets	<u>19,043,522</u>	<u>22,236,487</u>
TOTAL ASSETS	<u>\$ 25,255,796</u>	<u>\$ 28,957,482</u>

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

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2009 AND 2008

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
<u>Current Liabilities:</u> (Note 1)		
Accounts payable	\$ 417,173	\$ 422,298
Accrued expenses	1,520,718	1,335,630
Taxes payable	16,794	135,444
Unearned revenue	420,784	235,277
Current portion of noncurrent liabilities	50,648	125,000
Total Current Liabilities	<u>2,426,117</u>	<u>2,253,649</u>
<u>Noncurrent Liabilities:</u> (Notes 7 and 8)		
Deferred compensation	684,799	619,874
Bonds payable, less current portion	1,784,352	4,710,000
Total Noncurrent Liabilities	<u>2,469,151</u>	<u>5,329,874</u>
Total Liabilities	<u>4,895,268</u>	<u>7,583,523</u>
<u>Commitments</u> (Notes 11 and 12)		
<u>Net Assets:</u> (Notes 1, 9, 10 and 13)		
Unrestricted	11,820,354	9,789,585
Temporarily restricted	6,784,023	9,666,621
Permanently restricted	1,756,151	1,917,753
Total Net Assets	<u>20,360,528</u>	<u>21,373,959</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,255,796</u>	<u>\$ 28,957,482</u>

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

**JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<u>Unrestricted Net Assets:</u>		
<u>Support and Revenues:</u>		
Grants and contracts	\$ 6,796,976	\$ 5,234,066
Net assets released from restrictions	3,328,947	4,710,611
Contributions	3,400,626	3,121,566
Charitable auto resources fees	3,280,157	3,046,204
Program revenue	696,705	632,680
Fees and other revenue	208,764	283,710
Gain on sale of other assets	-	24,584
Gain on sale of land, buildings and equipment	80	9,966
Investment loss	(782,266)	(348,939)
Total Support and Revenues	<u>16,929,989</u>	<u>16,714,448</u>
<u>Expenses:</u>		
<u>Program Services:</u>		
Jewish Family Service of San Diego	11,170,549	8,993,865
Charitable Auto Resources, Inc.	1,768,867	1,637,267
Total Program Services	<u>12,939,416</u>	<u>10,631,132</u>
<u>Supporting Services:</u>		
General and administrative	780,967	802,209
Fundraising	818,039	668,125
Total Supporting Services	<u>1,599,006</u>	<u>1,470,334</u>
Total Expenses	<u>14,538,422</u>	<u>12,101,466</u>
Change in Unrestricted Net Assets Before Income Taxes	2,391,567	4,612,982
Provision for Income Taxes	463,356	454,975
Reclassification of Unrestricted Net Assets Due to Change in Law (Note (10))	<u>102,558</u>	<u>-</u>
Change in Unrestricted Net Assets	<u>2,030,769</u>	<u>4,158,007</u>

(Continued)

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

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>Temporarily Restricted Net Assets:</u>		
Contributions	\$ 947,130	\$ 1,094,847
Investment income (loss)	(599,542)	22,195
Net assets released from restrictions	(3,271,471)	(4,675,564)
Reclassification of Temporarily Restricted Net Assets Due to Change in Law (Note 10)	<u>41,285</u>	<u>-</u>
Change in Temporarily Restricted Assets	<u>(2,882,598)</u>	<u>(3,558,522)</u>
<u>Permanently Restricted Net Assets:</u>		
Contributions	132,428	161,075
Investment loss	(92,711)	(64,274)
Distributions	(57,476)	(35,047)
Reclassification of Permanently Restricted Net Assets Due to Change in Law (Note 10)	<u>(143,843)</u>	<u>-</u>
Change in Permanently Restricted Net Assets	<u>(161,602)</u>	<u>61,754</u>
Change in Net Assets	(1,013,431)	661,239
Net Assets at Beginning of Year	<u>21,373,959</u>	<u>20,712,720</u>
NET ASSETS AT END OF YEAR, AS RESTATED (NOTE 13)	\$ <u>20,360,528</u>	\$ <u>21,373,959</u>

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

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

		Supporting Services			Total			
	Program	General and		Total	Jewish Family	Charitable Auto		Total
	Services	Administrative	Fundraising	Supporting	Service of	Resources, Inc.	Eliminations	Expenses
				Services	San Diego			
<u>Salaries and Related Expenses:</u>								
Salaries and wages	\$ 6,117,144	\$ 385,192	459,425	\$ 844,617	\$ 6,961,761	\$ 813,279	\$ -	\$ 7,775,040
Payroll taxes	505,557	27,432	32,875	60,307	565,864	64,150	-	630,014
Employee benefits	611,692	57,398	52,838	110,236	721,928	84,204	-	806,132
Total Salaries and Related Expenses	<u>7,234,393</u>	<u>470,022</u>	<u>545,138</u>	<u>1,015,160</u>	<u>8,249,553</u>	<u>961,633</u>	<u>-</u>	<u>9,211,186</u>
<u>Nonsalary Related Expenses:</u>								
Advertising and promotion	86,285	82	62,631	62,713	148,998	324,357	(36,000)	437,355
Bad Debts	-	29,090	-	29,090	29,090	10,128	-	39,218
Bank fees and payroll processing	3,974	18,680	18,750	37,430	41,404	2,735	-	44,139
Conferences and meetings	14,116	4,520	-	4,520	18,636	22,111	-	40,747
Consultants	54,042	8,803	3,260	12,063	66,105	104,739	-	170,844
Contributions	-	-	-	-	-	120,000	(120,000)	-
Depreciation and amortization	349,327	48,467	28,229	76,696	426,023	-	-	426,023
Emergency assistance	890,502	1,342	-	1,342	891,844	-	-	891,844
Equipment rental and expense	185,818	6,346	18,356	24,702	210,520	35,755	-	246,275
Fundraising	-	-	16,732	16,732	16,732	-	-	16,732
Holocaust home care	160,911	-	-	-	160,911	-	-	160,911
Human resources allocated	-	-	-	-	-	-	-	-
Insurance	64,343	15,361	805	16,166	80,509	30,260	-	110,769
Interest expense	-	93,296	-	93,296	93,296	-	-	93,296
Lab fees	29,700	-	-	-	29,700	-	-	29,700
Legal, accounting and audit	17,516	7,742	1,030	8,772	26,288	18,863	-	45,151
Membership/subscriptions	8,762	21,157	62	21,219	29,981	-	-	29,981
Miscellaneous	14,505	12,319	411	12,730	27,235	26,369	-	53,604
Office and computer supplies	78,413	3,369	3,005	6,374	84,787	11,839	-	96,626
Postage	26,594	3,037	9,678	12,715	39,309	26,751	-	66,060
Printing	66,339	1,909	29,692	31,601	97,940	5,679	-	103,619
Professional fees	232,621	9,406	30,605	40,011	272,632	208,107	(205,623)	275,116

(Continued)

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

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

		Supporting Services			Total			
	Program	General and		Total	Jewish Family	Charitable Auto		Total
	Services	Administrative	Fundraising	Supporting	Service of	Resources, Inc.	Eliminations	Expenses
				Services	San Diego			
<u>Nonsalary Related Expenses: (Continued)</u>								
Program expenses	613,137	462	230	692	613,829	-	-	613,829
Property and other taxes	1,327	-	-	-	1,327	-	-	1,327
Rent	284,256	2,144	-	2,144	286,400	72,766	-	359,166
Repairs and maintenance	95,292	3,941	4,246	8,187	103,479	2,451	-	105,930
Staff development	20,328	6,146	740	6,886	27,214	5,223	-	32,437
Subcontractor fees	91,524	-	-	-	91,524	-	-	91,524
Telephone	110,252	4,662	2,729	7,391	117,643	43,885	-	161,528
Temporary help	-	-	-	-	-	9,131	-	9,131
Transportation service	87,642	1,614	1	1,615	89,257	-	-	89,257
Travel, entertainment and transportation	255,057	2,411	44,541	46,952	302,009	59,375	-	361,384
Utilities	93,573	4,639	4,316	8,955	102,528	21,185	-	123,713
Total Nonsalary Related Expenses	<u>3,936,156</u>	<u>310,945</u>	<u>280,049</u>	<u>590,994</u>	<u>4,527,150</u>	<u>1,161,709</u>	<u>(361,623)</u>	<u>5,327,236</u>
Total Functional Expenses	11,170,549	780,967	825,187	1,606,154	12,776,703	2,123,342	(361,623)	14,538,422
Less: Intercompany	<u>-</u>	<u>-</u>	<u>(7,148)</u>	<u>(7,148)</u>	<u>(7,148)</u>	<u>(354,475)</u>	<u>361,623</u>	<u>-</u>
TOTAL EXPENSES	\$ <u>11,170,549</u>	\$ <u>780,967</u>	\$ <u>818,039</u>	\$ <u>1,599,006</u>	\$ <u>12,769,555</u>	\$ <u>1,768,867</u>	\$ <u>-</u>	\$ <u>14,538,422</u>

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

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

		Supporting Services			Total			
	Program	General and		Total	Jewish Family	Charitable Auto		Total
	Services	Administrative	Fundraising	Supporting	Service of	Resources, Inc.	Eliminations	Expenses
				Services	San Diego			
<u>Salaries and Related Expenses:</u>								
Salaries and wages	\$ 4,799,798	\$ 413,492	\$ 356,073	\$ 769,565	\$ 5,569,363	\$ 798,522	\$ -	\$ 6,367,885
Payroll taxes	404,626	30,597	24,784	55,381	460,007	61,390	-	521,397
Employee benefits	461,872	38,670	27,310	65,980	527,852	69,860	-	597,712
Total Salaries and Related Expenses	<u>5,666,296</u>	<u>482,759</u>	<u>408,167</u>	<u>890,926</u>	<u>6,557,222</u>	<u>929,772</u>	<u>-</u>	<u>7,486,994</u>
<u>Nonsalary Related Expenses:</u>								
Advertising and promotion	77,486	1,460	87,515	88,975	166,461	148,784	-	315,245
Bad Debts	(347)	(2,828)	(28,895)	(31,723)	(32,070)	2,506	-	(29,564)
Bank fees and payroll processing	3,329	13,747	14,395	28,142	31,471	5,838	-	37,309
Conferences and meetings	4,965	11,159	-	11,159	16,124	27,919	-	44,043
Consultants	39,307	6,850	2,634	9,484	48,791	106,824	-	155,615
Contributions	-	-	-	-	-	115,000	(115,000)	-
Depreciation and amortization	344,737	51,904	19,404	71,308	416,045	-	-	416,045
Emergency assistance	805,057	-	-	-	805,057	-	-	805,057
Equipment rental and expense	201,792	5,206	9,396	14,602	216,394	37,265	-	253,659
Fundraising	319	37	86,657	86,694	87,013	-	-	87,013
Holocaust home care	157,220	-	-	-	157,220	-	-	157,220
Human resources allocated	95,086	(97,633)	2,547	(95,086)	-	-	-	-
Insurance	66,556	13,615	575	14,190	80,746	26,776	-	107,522
Interest expense	2,421	242,566	-	242,566	244,987	-	-	244,987
Lab fees	30,260	-	-	-	30,260	-	-	30,260
Legal, accounting and audit	25,190	6,086	1,889	7,975	33,165	15,564	-	48,729
Membership/subscriptions	6,870	14,296	2	14,298	21,168	-	-	21,168
Miscellaneous	17,737	4,654	375	5,029	22,766	19,107	-	41,873
Office and computer supplies	52,747	3,685	2,021	5,706	58,453	17,331	-	75,784
Postage	21,394	6,467	6,739	13,206	34,600	17,286	-	51,886
Printing	61,774	632	30,475	31,107	92,881	6,008	-	98,889
Professional fees	163,862	9,969	12,979	22,948	186,810	198,831	(178,005)	207,636

(Continued)

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

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

		Supporting Services			Total			
	Program	General and		Total	Jewish Family	Charitable Auto		Total
	Services	Administrative	Fundraising	Supporting	Service of	Resources, Inc.	Eliminations	Expenses
				Services	San Diego			
<u>Nonsalary Related Expenses: (Continued)</u>								
Program expenses	\$ 488,768	\$ 274	\$ 1,645	\$ 1,919	\$ 490,687	\$ -	\$ -	\$ 490,687
Property and other taxes	-	1,245	-	1,245	1,245	-	-	1,245
Rent	168,584	1,718	-	1,718	170,302	46,589	-	216,891
Repairs and maintenance	87,337	4,325	2,422	6,747	94,084	21,141	-	115,225
Staff development	27,744	3,701	307	4,008	31,752	4,177	-	35,929
Subcontractor fees	7,093	-	-	-	7,093	-	-	7,093
Telephone	89,035	4,161	1,641	5,802	94,837	86,957	-	181,794
Temporary help	-	-	-	-	-	20,980	-	20,980
Transportation service	86,661	2,903	-	2,903	89,564	-	-	89,564
Travel, entertainment and transportation	125,934	3,764	2,615	6,379	132,313	61,038	-	193,351
Utilities	77,983	5,487	2,620	8,107	86,090	5,247	-	91,337
Total Nonsalary Related Expenses	<u>3,336,901</u>	<u>319,450</u>	<u>259,958</u>	<u>579,408</u>	<u>3,916,309</u>	<u>991,168</u>	<u>(293,005)</u>	<u>4,614,472</u>
Total Functional Expenses	9,003,197	802,209	668,125	1,470,334	10,473,531	1,920,940	(293,005)	12,101,466
Less: Intercompany	<u>(9,332)</u>				<u>(9,332)</u>	<u>(283,673)</u>	<u>293,005</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 8,993,865</u>	<u>\$ 802,209</u>	<u>\$ 668,125</u>	<u>\$ 1,470,334</u>	<u>\$ 10,464,199</u>	<u>\$ 1,637,267</u>	<u>\$ -</u>	<u>\$ 12,101,466</u>

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

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (1,013,431)	\$ 661,239
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	426,023	416,045
Gain on sale of land, buildings and equipment	(80)	(9,966)
Gain on sale of other assets	-	(24,584)
Net realized and unrealized losses on investments	1,655,726	691,438
Permanently restricted contributions	(132,428)	(161,075)
Permanently restricted investment loss	92,711	64,274
Permanently restricted distributions	57,476	35,047
(Increase) Decrease in:		
Accrued interest receivable	-	10,432
Accounts receivable, net	123,214	(162,329)
Grants and contracts receivable	(248,307)	2,381
Prepaid expenses	14,645	(6,423)
Unconditional promises to give, net	2,164,248	1,375,134
Deposits	(9,029)	(9,089)
Increase (Decrease) in:		
Accounts payable	(5,125)	69,345
Accrued expenses	185,088	295,246
Taxes payable	(118,650)	(25,910)
Security deposits	-	(2,275)
Unearned revenue	185,507	93,318
Deferred compensation	64,925	227,094
Net Cash Provided by Operating Activities	<u>3,442,513</u>	<u>3,539,342</u>
<u>Cash Flows From Investing Activities:</u>		
HFLA loans receivable, net	(16,610)	(11,709)
Other loans receivable, net	41,843	(47,843)
Purchase of investments, net	(466,505)	(1,026,297)
Proceeds from sale of land, buildings and equipment	475	14,614
Purchase of land, buildings and equipment	(41,652)	(144,768)
Proceeds from sale of other assets	-	1,770,779
Change in beneficial interest in endowment funds	28,744	(62,679)
Net Cash Provided by (Used) in Investing Activities	<u>(453,705)</u>	<u>492,097</u>

(Continued)

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

JEWISH FAMILY SERVICE OF SAN DIEGO
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>Cash Flows From Financing Activities:</u>		
Repayment on bonds payable	(3,000,000)	(4,165,000)
Repayment on notes payable	-	(1,724,879)
Permanently restricted contributions	132,428	161,075
Permanently restricted investment loss	(92,711)	(99,321)
Permanently restricted distributions	(57,476)	(35,047)
Net Cash Used in Financing Activities	<u>(3,017,759)</u>	<u>(5,863,172)</u>
Net Decrease in Cash and Cash Equivalents	(28,951)	(1,831,733)
Cash and Cash Equivalents at Beginning of Year	<u>1,905,127</u>	<u>3,736,860</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,876,176</u>	<u>\$ 1,905,127</u>
<u>Supplementary Disclosure of Cash Flow Information:</u>		
Interest Paid	<u>\$ 50,656</u>	<u>\$ 293,358</u>
Taxes Paid	<u>\$ 582,006</u>	<u>\$ 310,132</u>

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

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Note 1 - Organization and Significant Accounting Policies:

Organization

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 thirteen locations throughout San Diego County and three facilities serving the Coachella Valley along with seven Housing and Urban Development (HUD) apartments. From its early grassroots origins, the agency now serves over 30,000 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 28, 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 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 October 14, 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, 2009 AND 2008**

Note 1 - Organization and Significant Accounting Policies:

Organization (Continued)

JFS operates the following programs:

Counseling and Care Management

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

- Economics Crisis Recovery
- Information and Referral
- Adoption Alliance of San Diego
- Counseling Services
- Education and Outreach for Jews with Mental Health Concerns
- Food Pantry
- Jewish BIGPals for Boys and Girls
- Jewish Healing Center
- Patient Advocate Program
- Military Outreach
- Prins Asylum Program
- Project SARAH (Stop Abusive Relationships At Home)
- Refugee Resettlement and Acculturation
- Supporting Jewish Single Parents
- Community Case Management
- Intensive Psychiatric Case Management
- Long-Term Ombudsman Program for Edgemore Geriatric Hospital
- Disaster Response

Coachella Valley Services and Overnight Shelter (CV-SOS)

In partnership with JFS of the Desert, the CV-SOS program feeds and houses 25 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.

Desert Horizons

Located in the Coachella Valley, Desert Horizons is a scattered-site, transitional living program which places homeless individuals directly from the streets and emergency shelters into transitional housing units with appropriate supportive services. The units consists of seven (7) two and three-bedroom apartments located in Palm Springs, Cathedral City and Desert Hot Springs.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Note 1 - Organization and Significant Accounting Policies:

Organization (Continued)

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.

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 JFS Parenting (6 - 18 years)
- Preschool in the Park
- Golden Hill School-Based Counseling
- 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
- Information and Referral
- Jewish Healing Center
- JFS Fix-It Service
- On the Go Transportation Program
- Rides & Smiles
- Russian Jewish Community Services
- Senior Nutrition
- SOS - Serving Older Holocaust Survivors Program
- College Avenue Older Adult Center
- North County Inland Older Adult Center
- University City Older Adult Center
- Volunteer Relations
- Hebrew Free Loan Association

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Note 1 - Organization 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. JFS has reclassified certain prior year information to conform to current year presentations.

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.

On August 6, 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 117-1 ("FAS 117-1")—Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds. In October, 2008 California adopted UPMIFA. FAS 117-1 provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. FAS 117-1 also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds. JFS adopted FAS 117-1 effective July 1, 2008. The adoption of FAS 117-1 required a reclassification of net assets as presented in Note 10 as of July 1, 2008.

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.

Risks and Uncertainties

JFS invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Significant Accounting Policies (Continued)

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). SFAS 157 does not change existing guidance as to whether or not an instrument is carried at fair value. JFS adopted SFAS 157 effective July 1, 2008. As of July 1, 2008, JFS determined that SFAS 157 did not have a significant impact on the financial assets and liabilities in the consolidated financial statements.

JFS's consolidated statement of financial position includes the following financial instruments: investments and beneficial interest in endowment funds.

- Investments - Investments held at Jewish Community Foundation are considered Level 2 assets and are reported at fair value based on the fair value of the underlying assets in the funds as reported by the fund manager, Jewish Community Foundation, since these funds are valued by the fund manager and are not traded in an active market.
- Beneficial interest in endowment funds - Beneficial interest in endowment funds (Jewish Community Foundation and Comerica Bank) are considered Level 3 assets and are reported at fair value based on the fair value of the underlying assets which approximates the future discounted cash flows.

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 consists of the following at June 30:

	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ 45,299	\$ 19,374
HFLA loans receivable	6,206	4,360
Other loans receivable	667	1,000
Grants and contracts receivable	-	248,423
	<u>\$ 52,172</u>	<u>\$ 273,157</u>

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Significant Accounting Policies (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give to 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 Statement of Financial Accounting Standards (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 consolidated statement of financial position. Unrealized gains and losses are included in the consolidated 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.

JFS has an investment committee that has established an investment policy. It is JFS's policy to diversify all investment portfolios. The investment committee reviews and evaluates the risk within the investment portfolios, nevertheless, those portions of the investment portfolios consisting of holdings in equity securities and debt instruments are exposed to market price volatility in the stock and bond markets and are therefore, inherently at risk.

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. Buildings and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Buildings and improvements	15 - 31.5 years
Equipment	5 - 7 years
Furniture and equipment	5 - 7 years
Vehicles	5 years

Depreciation aggregated \$420,265 and \$410, 286 for the years ended June 30, 2009 and 2008, respectively.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Significant Accounting Policies (Continued)

Land, Buildings and Equipment (Continued)

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of land, buildings or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Impairment of Real Estate

JFS reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted net cash flows expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2009 or 2008.

Amortization

Bond issuance costs totaling \$126,214 and \$131,972 net of accumulated amortization of \$17,276 and \$11,518 at June 30, 2009 and 2008, respectively are amortized on the straight-line method based on the term of the related debt. Amortization expense totaled \$5,758 and \$5,759 for the years ended June 30, 2009 and 2008, respectively.

Compensated Absences

Vested and accumulated vacation is recorded as an expense and liability as benefits accrue to employees. The accrued vacation liability totaled \$418,234 and \$333,290 at June 30, 2009 and 2008, 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 totaled \$420,784 and \$235,277 at June 30, 2009 and 2008, respectively.

Contributed Services

Donated services have not been reflected in the accompanying consolidated 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.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Significant Accounting Policies (Continued)

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 totaling \$463,356 and \$454,975 for the years ended June 30, 2009 and 2008, respectively. Income taxes payable totaled \$16,794 and \$135,444 at June 30, 2009 and 2008, respectively.

JFS has elected to defer the provisions of Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" under the provisions of a FASB Staff Position issued in December, 2008. JFS uses a Financial Accounting Standards Board Statement No. 5 "Loss Contingencies" approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

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 consolidated statement of cash flows, JFS considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. JFS recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing financial statements. JFS's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

JFS has evaluated subsequent events through October 13, 2009, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Note 2 - Grants and Contracts Receivable:

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

	<u>2009</u>	<u>2008</u>
County of San Diego	\$ 432,714	\$ 326,994
Hebrew Immigrant Aid Society	244,568	120,358
Conference on Jewish Material Claims Against Germany, Inc.	147,188	138,461
County of Riverside	127,467	101,437
Jewish Community Foundation	59,904	173,039
San Diego Association of Governments	38,229	-
United Jewish Federation	30,000	-
City of Palm Springs	28,964	-
Catholic Charities	20,343	9,353
Grossmont Healthcare District	15,448	24,234
Other grants and contracts	5,041	5,044
JFS of Desert	4,131	6,770
TACHS	-	248,423
Total Grants and Contracts Receivable	<u>1,153,997</u>	<u>1,154,113</u>
Less: Allowance for Uncollectible	-	(248,423)
Grants and Contracts Receivable, Net	<u>\$ 1,153,997</u>	<u>\$ 905,690</u>

Note 3 - Unconditional Promises to Give:

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

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 2,832,658	\$ 3,423,655
Less: Allowance for Uncollectible	(176,795)	(202,807)
Receivable in less than one year, net	<u>2,655,863</u>	<u>3,220,848</u>
Receivable in one to five years	1,767,023	3,683,723
Less: Allowance for Uncollectible	(62,793)	(82,851)
Discount	(198,972)	(496,351)
Receivable in more than one year, net	<u>1,505,258</u>	<u>3,104,521</u>
Unconditional Promises to Give, Net	<u>\$ 4,161,121</u>	<u>\$ 6,325,369</u>

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 \$239,588 and \$285,658 at June 30, 2009 and 2008, respectively.

The unconditional promises to give have been discounted to their net present value using a discount rate of 1.7% to 6%.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Note 4 - Investments:

JFS maintains its investments at 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 Jewish Community Foundation are invested in investment pools. The Short Term Pool is a cash equivalent pool that seeks principal preservation by investing in certificates of deposit, securities issued or guaranteed by the U.S. government and other cash equivalents. The Mid Term Pool is a conservative fund that has a moderate risk of loss. The Mid Term Pool invests 30% in domestic and international equities, 70% in fixed income and does not include an allocation to alternative investments or real estate. Long Term Pool invests 65% in domestic and international equities, 30% in fixed income and 5% in real assets consisting of REITS and/or commodities. Investments consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Short Term Pool	\$ 1,348,037	\$ 1,954,198
Mid Term Pool	478,339	525,723
Long Term Pool	6,861,543	7,397,219
State of Israel Bonds	2,000	2,000
Total Investments	<u>\$ 8,689,919</u>	<u>\$ 9,879,140</u>

The following schedule summarizes the investment income (loss) and its classification in the consolidated statement of activities for the years ended June 30:

	<u>2009</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest	\$ 196,522	\$ 111,508	\$ -	\$ 308,030
Net realized and unrealized losses	(954,532)	(701,194)	(89,833)	(1,745,559)
Investment fees	(24,256)	(9,856)	(2,878)	(36,990)
Total Investment Loss	<u>\$ (782,266)</u>	<u>\$ (599,542)</u>	<u>\$ (92,711)</u>	<u>\$ (1,474,519)</u>

	<u>2008</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest	\$ 376,946	\$ 25,064	\$ -	\$ 402,010
Net realized and unrealized losses	(691,438)	-	(61,300)	(752,738)
Investment fees	(34,447)	(2,869)	(2,974)	(40,290)
Total Investment Income (Loss)	<u>\$ (348,939)</u>	<u>\$ 22,195</u>	<u>\$ (64,274)</u>	<u>\$ (391,018)</u>

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Note 5 - Land, Buildings and Equipment:

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

	<u>2009</u>	<u>2008</u>
Land	\$ 2,023,335	\$ 2,023,335
Building and improvements	6,068,659	6,068,659
Furniture and equipment	435,524	414,524
Equipment	468,048	468,048
Vehicles	158,802	139,350
Subtotal	<u>9,154,368</u>	<u>9,113,916</u>
Less: Accumulated depreciation	<u>(1,220,188)</u>	<u>(800,728)</u>
Land, Buildings and Equipment, Net	<u>\$ 7,934,180</u>	<u>\$ 8,313,188</u>

Note 6 – Beneficial Interest in Endowment Funds:

JFS has a beneficial interest in endowment funds held at Jewish Community Foundation and Comerica Bank. The funds held at Jewish Community Foundation are invested in the Long Term Pool which invests 65% in domestic and international equities, 30% in fixed income and 5% in real assets consisting of REITS and/or commodities and the Endowment Pool which invests 57% in domestic and international equities, 25% in fixed income, 8% in real assets consisting of REITS and/or commodities and 10% in alternative investments consisting of hedge funds of funds. The funds held at Comerica Bank are invested in a balanced portfolio including cash and cash equivalents, equities and fixed income securities.

The activity in the beneficial interest in endowment funds consisted of the following for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Balance, Beginning of Year	\$ 783,414	\$ 720,735
Contributions	121,443	162,000
Investment loss	(92,711)	(64,274)
Distributions	<u>(57,476)</u>	<u>(35,047)</u>
Total Beneficial Interest in Endowment Funds	<u>\$ 754,670</u>	<u>\$ 783,414</u>

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 Jewish Community Foundation set aside for this purpose. Contributions totaled \$112,132 and \$119,632 for the years ended June 30, 2009 and 2008, respectively and are included in employee benefits in the consolidated statements of functional expenses. The deferred compensation liability totaled \$684,799 and \$619,874 at June 30, 2009 and 2008, respectively and is fully funded at June 30, 2009 and 2008. The asset is included in investments in the Short Term Pool and Mid Term Pool at June 30, 2009 and 2008.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Note 8 - Bonds Payable:

	<u>2009</u>	<u>2008</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 1.25% and 1.70% at June 30, 2009 and 2008, 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 12).		
	\$ 1,835,000	\$ 4,835,000
Less: Current portion	(50,648)	(125,000)
Bonds Payable, Net	<u>\$ 1,784,352</u>	<u>\$ 4,710,000</u>

Aggregate annual principal payments due on bonds payable are as follows:

Years Ended June 30,	
2010	\$ 50,648
2011	52,596
2012	54,544
2013	58,439
2014	60,387
Thereafter	1,558,386
	<u>\$ 1,835,000</u>

Note 9 - Temporarily Restricted Net Assets:

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

	<u>2009</u>	<u>2008</u>
Capital Campaign	\$ 3,886,482	\$ 5,515,167
Grants and Contributions with time and purpose restrictions	2,294,639	3,122,448
Pledges receivable, net	500,253	835,680
Hebrew Free Loan Assistance (HFLA)	102,649	116,851
Argen Interest Free Loan	-	76,475
Total Temporarily Restricted Net Assets	<u>\$ 6,784,023</u>	<u>\$ 9,666,621</u>

Net assets in the amount of \$3,271,471 and \$4,675,564 were released from donor restrictions by incurring expenses and events satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2009 and 2008, respectively.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Note 10 – Endowment Net Assets:

JFS's endowment consists of five individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. JFS holds and manages the general endowment fund, with the remaining four funds held and managed by others.

JFS Managed Funds:

JFS has interpreted the enacted version of the Uniform Prudent Management of Institutional funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, JFS classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment (2) the original value of subsequent gifts donated to the permanent endowment (3) 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 JFS in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, JFS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of JFS and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of JFS
7. The investment policies of JFS

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires JFS to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$151,632 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred in the investment portfolio in 2009.

JFS has adopted investment and spending policies for endowment funds that:

1. Protect the invested assets
2. Preserve spending capacity of the fund income
3. Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a minimal level
4. Comply with applicable laws

JFS's endowment funds are invested at Jewish Community Foundation in the Short Term Pool, a cash equivalent pool that seeks principal preservation by investing that seeks principal preservation by investing in certificates of deposit, securities issued or guaranteed by the U.S. government and other cash equivalents and the Long Term Pool, which invests 65% in domestic and international equities, 30% in fixed income and 5% in real assets consisting of REITS and/or commodities.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Note 10 – Endowment Net Assets: (Continued)

JFS's spending policy is to disburse funds available in accordance with donor restrictions to meet the current program needs of JFS.

Beneficial Interest in Endowment Funds:

The beneficial interest in endowment funds are held by Jewish Community Foundation ("JCF") and Comerica Bank (the "Bank") and are managed in accordance with UPMIFA. The investment objectives are to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require be retained as a fund of perpetual duration. JFS classifies permanently restricted net assets held by JCF and the Bank as:

1. The original value of gifts donated to the fund
2. The original value of JFS funds transferred to the fund
3. The original value of subsequent gifts donated to the fund
4. Investment income and realized and unrealized gains and losses on investments
5. Distributions from the fund in accordance with the spending policy

JCF and the Bank have adopted investment and spending policies for endowment funds that:

1. Protect the invested assets
2. Preserve spending capacity of the fund income
3. Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a moderate level
4. Comply with applicable laws

JCF endowment funds are invested in the Long Term Pool which invests 65% in domestic and international equities, 30% in fixed income and 5% in real assets consisting of commodities and the Endowment Pool which invests 57% in domestic and international equities, 25% in fixed income, 8% in real assets consisting of REITS and/or commodities and 10% in alternative investments consisting of hedge funds of funds. The endowment funds held at Comerica Bank are invested in a balanced portfolio including cash and cash equivalents, equities and fixed income securities.

JCF's spending policy is to disburse 5% annually, based upon endowment principal market value. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received. Given the recent market declines, many of JCF's endowment fund distributions will be limited. The Bank's spending policy is to distribute 5% annually.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Note 10 – Endowment Net Assets: (Continued)

Endowment Composition by Type of Fund as of June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Held by JFS:				
General Endowment Fund	\$ (151,632)	\$ -	\$ 765,000	\$ 613,368
Endowment Unconditional Promises to Give, Net			236,481	236,481
Beneficial Interest in Endowment Funds:				
Held by Jewish Community Foundation:				
Katzin Endowment Fund			441,322	441,322
Gotkowitz Endowment Fund			143,509	143,509
Chortex Endowment Fund			55,601	55,601
Held by Comerica Bank:				
Schwartz Endowment Fund			114,238	114,238
Total Endowment Funds	<u>\$ (151,632)</u>	<u>\$ -</u>	<u>\$ 1,756,151</u>	<u>\$ 1,604,519</u>

Changes in Endowment Net Assets for the year ended June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 41,285	\$ -	\$ 1,917,753	\$ 1,959,038
Net asset reclassification based on change in law	<u>(41,285)</u>	<u>41,285</u>	<u>(143,843)</u>	<u>(143,843)</u>
Endowment net assets after reclassification	-	41,285	1,773,910	1,815,195
Net realized and unrealized depreciation	(151,632)	(41,285)	(92,711)	(285,628)
Contributions	-	-	132,428	132,428
Appropriation of endowment assets for expenditure	-	-	(57,476)	(57,476)
Endowment Net Assets, End of Year	<u>\$ (151,632)</u>	<u>\$ -</u>	<u>\$ 1,756,151</u>	<u>\$ 1,604,519</u>

Note 11 - Retirement Plan:

JFS has established a 401(k) retirement plan (the “Plan”) covering all full-time and half-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 \$167,715 and \$134,940 to plan for the years ended June 30, 2009 and 2008, respectively.

JEWISH FAMILY SERVICE OF SAN DIEGO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Note 12 - Commitments:

Facility Operating Leases

JFS leases office facilities under lease agreements expiring through May, 2013.

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

<u>Years Ended June 30,</u>	
2010	\$ 324,527
2011	207,620
2012	137,033
2013	96,982
Total	<u>\$ 766,162</u>

Rent expense for the office facilities totaled \$359,166 and \$216,891 for the years ended June 30, 2009 and 2008, 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 original amount of the bonds outstanding (\$9,000,000 at June 30, 2009 and 2008). Unreimbursed drawings under the letter of credit for a liquidity drawing 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 US Bank. No demands for payment were made on the Letter of Credit as of June 30, 2009.

Note 13 - Restatement:

Certain adjustments resulting in a decrease in net assets totaling \$113,654 at June 30, 2008, were made during the current year which resulted in a restatement of previously reported amounts as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Consolidated Statement of Financial Position:			
Unearned revenue	\$ 121,623	\$ 113,654	\$ 235,277
Unrestricted net assets	<u>\$ 9,903,239</u>	<u>\$ (113,654)</u>	<u>\$ 9,789,585</u>
Consolidated Statement of Activities:			
Grants and contracts	\$ 5,347,720	\$ (113,654)	\$ 5,234,066
Change in unrestricted net assets	<u>\$ 4,271,661</u>	<u>\$ (113,654)</u>	<u>\$ 4,158,007</u>
Change in net assets	<u>\$ 21,487,613</u>	<u>\$ (113,654)</u>	<u>\$ 21,373,959</u>

**JEWISH FAMILY SERVICE OF SAN DIEGO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

<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:		
Pass-Through Programs From:		
County of San Diego:		
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	\$ 76,421
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	33,743
Nutrition Services Incentive Program	93.053	11,622
National Family Caregiver Support, Title III, Part E	93.052	93,120
Block Grants for Prevention and Treatment of Substance Abuse	93.959	968,740
Aging Congregate Nutrition Services for States	93.707	427
Aging Home - Delivered Nutrition Services for States	93.705	3,890
Family Health Centers of San Diego:		
HIV Emergency Relief Project Grants	93.914	46,299
Catholic Charities:		
Refugee and Entrant Assistance, Wilson/Fish Program	93.583	178,502
Hebrew Immigrant Aid Society:		
Refugee and Entrant Assistance, Discretionary Grants	93.576	159,321
Total U.S. Department of Health and Human Services		<u>1,572,085</u>
U.S. Department of Housing and Urban Development:		
Pass-Through Programs From:		
Riverside County Department of Public Social Service:		
Supportive Housing Program	14.235	408,133
Community Development Block Grants/Entitlement Grants	14.218	39,438
Total U.S. Department of Housing and Urban Development		<u>447,571</u>

JEWISH FAMILY SERVICE OF SAN DIEGO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of State:		
Pass-Through Program From:		
Hebrew Immigrant Aid Society:		
U.S. Refugee Admissions Program	19.510	\$ 346,803
Total Department of State		<u>346,803</u>
Department of Homeland Security:		
Pass-Through Program From:		
United Way of America:		
Emergency Food and Shelter National Board Program	97.024	33,301
Emergency Food and Shelter National Board Program (ARRA)	97.114	<u>1,770</u>
Total Department of Homeland Security		<u>35,071</u>
Department of Transportation:		
Pass-Through Program From:		
San Diego Association of Governments:		
New Freedom Program	20.521	<u>28,500</u>
Total Department of Transportation		<u>28,500</u>
Total Expenditures of Federal Awards		<u>\$ 2,430,030</u>

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



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**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 consolidated financial statements of Jewish Family Service of San Diego as of and for the year ended June 30, 2009, and have issued our report thereon dated October 13, 2009. 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 over 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 consolidated 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.

This report is intended solely for the information and use of management, the audit committee, 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.

Leaf & Cole LLP

San Diego, California
October 13, 2009



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**Independent Auditor's Report on
Compliance With Requirements Applicable to Each Major Program
and 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, 2009. 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, 2009.

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, the audit committee, 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.

Leaf & Cole LLP

San Diego, California
October 13, 2009

**JEWISH FAMILY SERVICE OF SAN DIEGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

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	_____ <u>X</u> _____	No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> _____	No
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> _____	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	_____ <u>X</u> _____	No
Significant deficiencies identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> _____	No
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	_____ <u>X</u> _____	No

Identification of major programs:

CDFA Number(s)

93.959

Name of Federal Program or Cluster
U.S. Department of Health and Human Services:

Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

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, 2009**

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