

**JEWISH FAMILY SERVICES
OF DELAWARE, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2016 AND 2015

JEWISH FAMILY SERVICES OF DELAWARE, INC.
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Independent Auditors' Report

To the Board of Directors of
Jewish Family Services of Delaware, Inc.

We have audited the accompanying financial statements of Jewish Family Services of Delaware, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors of
Jewish Family Services of Delaware, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family Services of Delaware, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Belfint, Lyons & Shuman, P.A.

July 14, 2017

Wilmington, Delaware

JEWISH FAMILY SERVICES OF DELAWARE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 701,435	\$ 1,139,463
Patient Accounts Receivable - Net	284,677	165,912
Grants Receivable	145,753	101,692
Prepaid Expenses	55,927	67,738
TOTAL CURRENT ASSETS	1,187,792	1,474,805
PROPERTY AND EQUIPMENT		
Furniture, Fixtures, and Equipment	562,380	450,781
Less: Accumulated Depreciation	(339,978)	(289,443)
NET PROPERTY AND EQUIPMENT	222,402	161,338
OTHER ASSETS		
Security Deposits	4,250	4,250
Restricted Cash for Endowment Funds	62,825	62,825
Investments	325,960	306,932
Beneficial Interest in Funds Held at Delaware Community Foundation	186,831	179,461
TOTAL OTHER ASSETS	579,866	553,468
TOTAL ASSETS	\$ 1,990,060	\$ 2,189,611
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 95,530	\$ 66,323
Accrued Pension Expense	61,835	66,422
Current Maturities of Capital Lease Payable	10,189	8,977
TOTAL CURRENT LIABILITIES	167,554	141,722
OTHER LIABILITIES		
Capital Lease Payable (Net of Current Maturities)	19,440	29,333
TOTAL LIABILITIES	186,994	171,055
NET ASSETS		
Unrestricted - Undesignated	516,068	579,079
Unrestricted - Board-Designated	417,309	403,455
Total Unrestricted	933,377	982,534
Temporarily Restricted	758,491	924,824
Permanently Restricted	111,198	111,198
TOTAL NET ASSETS	1,803,066	2,018,556
TOTAL LIABILITIES AND NET ASSETS	\$ 1,990,060	\$ 2,189,611

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

JEWISH FAMILY SERVICES OF DELAWARE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Public Support				
Contributions	\$ 186	\$ 112,790	\$ -	\$ 112,976
United Way of Delaware	43,066	-	-	43,066
Jewish Federation of Delaware Allocations	43,542	-	-	43,542
Grants from Government Agencies	744,936	-	-	744,936
Administration of Emergency Food and Shelter Program	6,348	-	-	6,348
Other Grants	12,750	273,300	-	286,050
Total Public Support	850,828	386,090	-	1,236,918
Other Revenue				
Program Fees - Net				
Counseling Fees and Contract Revenue	1,026,320	-	-	1,026,320
Care Management	65,406	-	-	65,406
Brandywine Village Network Revenue	44,040	-	-	44,040
Youth Development	7,457	-	-	7,457
Communal Services	2,150	-	-	2,150
Total Other Revenue	1,145,373	-	-	1,145,373
Investment Income	8,272	4,596	-	12,868
Gains (Losses) on Investments	17,928	1,856	-	19,784
Special Events - Net of Expenses	24,640	-	-	24,640
Other Income	6,390	-	-	6,390
Net Assets Released from Restrictions	558,875	(558,875)	-	-
TOTAL SUPPORT AND REVENUE	2,612,306	(166,333)	-	2,445,973
OPERATING EXPENSE				
Program Services				
Counseling	1,327,938	-	-	1,327,938
Care Management	272,942	-	-	272,942
Youth Development	595,138	-	-	595,138
Total Program Services	2,196,018	-	-	2,196,018
Supporting Services				
Management and General	465,445	-	-	465,445
TOTAL OPERATING EXPENSES	2,661,463	-	-	2,661,463
CHANGE IN NET ASSETS	(49,157)	(166,333)	-	(215,490)
NET ASSETS - Beginning of Year	982,534	924,824	111,198	2,018,556
NET ASSETS - End of Year	\$ 933,377	\$ 758,491	\$ 111,198	\$ 1,803,066

2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 29,959	\$ 125,658	\$ -	\$ 155,617
58,690	-	-	58,690
51,458	-	-	51,458
872,889	-	-	872,889
3,327	-	-	3,327
17,432	428,300	-	445,732
<u>1,033,755</u>	<u>553,958</u>	<u>-</u>	<u>1,587,713</u>
1,203,044	-	-	1,203,044
106,602	-	-	106,602
37,196	-	-	37,196
7,236	-	-	7,236
1,575	-	-	1,575
<u>1,355,653</u>	<u>-</u>	<u>-</u>	<u>1,355,653</u>
8,537	4,477	-	13,014
(13,134)	(7,348)	-	(20,482)
5,733	-	-	5,733
21,546	-	-	21,546
302,280	(302,280)	-	-
<u>2,714,370</u>	<u>248,807</u>	<u>-</u>	<u>2,963,177</u>
1,381,739	-	-	1,381,739
394,394	-	-	394,394
391,983	-	-	391,983
<u>2,168,116</u>	<u>-</u>	<u>-</u>	<u>2,168,116</u>
<u>453,439</u>	<u>-</u>	<u>-</u>	<u>453,439</u>
<u>2,621,555</u>	<u>-</u>	<u>-</u>	<u>2,621,555</u>
92,815	248,807	-	341,622
889,719	676,017	111,198	1,676,934
<u>\$ 982,534</u>	<u>\$ 924,824</u>	<u>\$ 111,198</u>	<u>\$ 2,018,556</u>

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

JEWISH FAMILY SERVICES OF DELAWARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>			<u>Total Program Services</u>	<u>Supporting Services</u>	
	<u>Counseling</u>	<u>Care Management</u>	<u>Youth</u>		<u>Management and General</u>	<u>Total</u>
SALARIES AND RELATED EXPENSES						
Salaries	\$ 775,506	\$ 174,093	\$ 348,186	\$ 1,297,785	\$ 284,880	\$ 1,582,665
Employee Retirement Benefits	9,249	8,999	18,568	36,816	25,019	61,835
Employee Benefits	67,546	15,163	30,326	113,035	25,388	138,423
Payroll Taxes	55,872	12,542	25,085	93,499	20,525	114,024
TOTAL SALARIES AND RELATED EXPENSES	<u>908,173</u>	<u>210,797</u>	<u>422,165</u>	<u>1,541,135</u>	<u>355,812</u>	<u>1,896,947</u>
OTHER EXPENSES						
Advertising	2,395	911	1,822	5,128	3,154	8,282
Bad Debt Expense	-	-	-	-	-	-
Bank Fees	19,508	4,380	8,758	32,646	7,167	39,813
Conferences and Staff Training	10,978	2,623	7,760	21,361	2,486	23,847
Contract Services	223,590	16,397	68,901	308,888	23,853	332,741
Dues and Subscriptions	4,638	1,041	2,082	7,761	1,701	9,462
Equipment Rental and Maintenance	2,462	552	1,105	4,119	907	5,026
Insurance	10,913	3,167	6,335	20,415	8,379	28,794
Interest	-	-	-	-	4,069	4,069
Janitorial and Maintenance	6,452	888	732	8,072	-	8,072
Mileage and Expense Allowances	16,764	2,608	7,744	27,116	8,085	35,201
Miscellaneous Expense	5,736	1,345	2,692	9,773	2,402	12,175
Office Supplies	5,520	1,239	2,478	9,237	2,027	11,264
Outside Printing and Publications	2,962	1,530	2,077	6,569	2,872	9,441
Postage	2,905	1,304	675	4,884	1,046	5,930
Rent and Occupancy	70,421	15,535	31,071	117,027	24,206	141,233
Special Assistance	-	-	11,699	11,699	-	11,699
Telephone	9,760	3,067	5,925	18,752	8,180	26,932
TOTAL OTHER EXPENSES	<u>395,004</u>	<u>56,587</u>	<u>161,856</u>	<u>613,447</u>	<u>100,534</u>	<u>713,981</u>
Depreciation of Property and Equipment	24,761	5,558	11,117	41,436	9,099	50,535
TOTAL EXPENSES	<u>\$ 1,327,938</u>	<u>\$ 272,942</u>	<u>\$ 595,138</u>	<u>\$ 2,196,018</u>	<u>\$ 465,445</u>	<u>\$ 2,661,463</u>

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

JEWISH FAMILY SERVICES OF DELAWARE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services			Total Program Services	Supporting Services	Total
	Counseling	Care Management	Youth		Management and General	
SALARIES AND RELATED EXPENSES						
Salaries	\$ 888,394	\$ 207,361	\$ 163,616	\$ 1,259,371	\$ 292,388	\$ 1,551,759
Employee Retirement Benefits	22,500	18,000	6,000	46,500	19,922	66,422
Employee Benefits	68,202	23,856	18,672	110,730	29,988	140,718
Payroll Taxes	61,660	15,863	12,493	90,016	22,290	112,306
TOTAL SALARIES AND RELATED EXPENSES	<u>1,040,756</u>	<u>265,080</u>	<u>200,781</u>	<u>1,506,617</u>	<u>364,588</u>	<u>1,871,205</u>
OTHER EXPENSES						
Advertising	5,257	1,475	391	7,123	2,412	9,535
Bad Debt Expense	12,730	-	-	12,730	-	12,730
Bank Fees	18,814	9,923	3,213	31,950	6,686	38,636
Conferences and Staff Training	2,728	1,728	3,028	7,484	3,926	11,410
Contract Services	150,748	46,100	132,953	329,801	28,165	357,966
Dues and Subscriptions	3,364	2,383	1,725	7,472	2,099	9,571
Equipment Rental and Maintenance	827	497	181	1,505	86	1,591
Insurance	13,205	4,833	3,354	21,392	5,851	27,243
Interest	-	-	-	-	5,045	5,045
Janitorial and Maintenance	5,754	1,016	-	6,770	-	6,770
Mileage and Expense Allowances	18,903	3,870	3,836	26,609	4,636	31,245
Miscellaneous Expense	8,514	1,305	1,106	10,925	5,484	16,409
Office Supplies	4,021	2,339	1,933	8,293	2,194	10,487
Outside Printing and Publications	4,386	2,773	2,210	9,369	943	10,312
Postage	3,287	1,312	4,401	9,000	855	9,855
Rent and Occupancy	59,664	19,641	16,788	96,093	16,908	113,001
Special Assistance	-	14,739	2,060	16,799	-	16,799
Telephone	13,431	5,488	5,336	24,255	1,596	25,851
TOTAL OTHER EXPENSES	<u>325,633</u>	<u>119,422</u>	<u>182,515</u>	<u>627,570</u>	<u>86,886</u>	<u>714,456</u>
Depreciation of Property and Equipment	<u>15,350</u>	<u>9,892</u>	<u>8,687</u>	<u>33,929</u>	<u>1,965</u>	<u>35,894</u>
TOTAL EXPENSES	<u>\$ 1,381,739</u>	<u>\$ 394,394</u>	<u>\$ 391,983</u>	<u>\$ 2,168,116</u>	<u>\$ 453,439</u>	<u>\$ 2,621,555</u>

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

JEWISH FAMILY SERVICES OF DELAWARE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (215,490)	\$ 341,622
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	50,535	35,894
Unrealized Loss (Gain) on Investments	(12,590)	23,642
Realized Gains - Investments and Beneficial Interest in Funds at DCF	(7,194)	(3,160)
Change in Assets		
Patient Accounts Receivable	(118,765)	25,710
Grants Receivable	(44,061)	(19,106)
Prepaid Expenses	11,811	(11,292)
Other Assets	-	(2,250)
Change in Liabilities		
Accounts Payable and Accrued Expenses	27,926	10,918
Accrued Pension Expense	(4,587)	17,885
	(312,415)	419,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(110,318)	(46,745)
Purchase of Investments	(6,614)	(6,704)
	(116,932)	(53,449)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(8,681)	(6,001)
	(438,028)	360,413
NET INCREASE IN CASH AND CASH EQUIVALENTS	(438,028)	360,413
CASH AND CASH EQUIVALENTS - Beginning of Year	1,139,463	779,050
CASH AND CASH EQUIVALENTS - End of Year	\$ 701,435	\$ 1,139,463
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest Paid	\$ 4,069	\$ 5,045
Noncash Investing and Financing Activities		
Acquisition of Property and Equipment with Accounts Payable	\$ 4,997	\$ 3,716
Acquisition of Property and Equipment with Capital Lease	\$ -	\$ 9,862

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

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The purpose of Jewish Family Services of Delaware, Inc. (Organization), a nonprofit organization located in Wilmington, Delaware, is to strengthen individuals, families, and the community by providing counseling and support services, based on Jewish values.

Basis of Accounting - The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenue and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions - In accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, *Not-for-Profit Entities*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time or purpose restriction.

Financial Statement Presentation - In accordance with FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Property and Equipment - Property and equipment are stated at cost when purchased by the Organization. The Organization's capitalization threshold is \$1,000. Acquisitions below this amount are expensed. The costs of capitalized assets are depreciated over the estimated useful lives of the assets on a straight-line basis. Useful lives range from 3 to 20 years. Depreciation expense amounted to \$50,535 and \$35,894 for the years ended December 31, 2016 and 2015, respectively.

Donated Services - Donated services are recognized as contributions in accordance with FASB ASC 958 if they (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A substantial number of volunteers have donated significant amounts of time to the Organization's programs. The Organization has not recognized contribution revenue from donated services during the years ended December 31, 2016 and 2015 since the criteria for FASB ASC 958 were not met.

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donations of Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Cash and Cash Equivalents - For purposes of the statements of cash flows, all cash and cash equivalents and highly liquid investments with maturities of three months or less at the time of acquisition are considered to be unrestricted.

During the years ended December 31, 2016 and 2015, payments received from the State of Delaware's Grant-In-Aid program were required to be held in a separate bank account.

Allocated Expenses - Expenses by function have been allocated among program and supporting services classifications on the basis of estimates made by the Organization's management.

Net Assets - Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. A description of the net asset classifications follow:

Unrestricted - Undesignated - These net assets are available for the general obligations of the Organization.

Unrestricted - Board-Designated - These net assets are designated by the Organization's board of directors to be used for specific purposes, including emergency operational expenses, future growth and expansion, and Jewish volunteer network.

Temporarily Restricted - These net assets are restricted by donors to be used for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction and/or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted - These net assets include resources which have a permanent donor-imposed restriction that the assets are to be maintained for the long-term continuance of the Organization.

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments - Under FASB ASC 958, investments are reported at their fair value in the statements 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 temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time or purpose restriction. Contributed securities are recorded at their fair value at date of receipt.

United Way Allocations - The Organization receives an allocation from the United Way of Delaware Community Impact Fund. The funds received are utilized for the programs and services specified in the Organization's application.

Advertising - The Organization expenses the cost of advertising when incurred. Advertising expense totaled \$8,282 and \$9,535 for the years ended December 31, 2016 and 2015, respectively.

Patient Accounts Receivable - Patient accounts receivable consist primarily of amounts due from patients and insurance companies. Accounts receivable are stated at unpaid balances, less an allowance for contract adjustments and doubtful accounts on the program services. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Allowance for contract adjustments and bad debts was \$45,222 and \$22,381 as of December 31, 2016 and 2015, respectively. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Bad debt expense for the years ended December 31, 2016 and 2015 totaled \$0 and \$12,730, respectively.

Net Program Fees Revenue - The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Net program fees revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. During the years ended December 31, 2016 and 2015, program fees revenue was net of contract adjustments totaling \$179,156 and \$196,694, respectively.

Subsequent Events - The Organization's policy is to evaluate events and transactions subsequent to its year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated events and transactions through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

Income Taxes - Jewish Family Services of Delaware, Inc. is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC); therefore, no provision for income taxes has been made in the accompanying financial statements. The Organization has also been classified as an entity that is

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - Continued - not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Income not related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. Accounting principles generally accepted in the United States of America impose a threshold for determining when an income tax benefit can be recognized in regard to uncertain tax positions. The Organization has determined that no liability for uncertain tax positions is required to be accrued and included in the statements of financial position as of December 31, 2016 and 2015.

The federal informational returns of the Organization for the years ended December 31, 2013, 2014, and 2015 are subject to examination by the tax authorities, generally for three years after they were filed.

NOTE 2: NET ASSETS

Unrestricted board-designated net assets consisted of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Emergency Operational Expenses	\$ 180,000	\$ 180,000
Future Growth and Expansion	228,434	215,099
Jewish Volunteer Network	<u>8,875</u>	<u>8,356</u>
Total	<u>\$ 417,309</u>	<u>\$ 403,455</u>

Temporarily restricted net assets were available for the following purpose restrictions as of December 31:

	<u>2016</u>	<u>2015</u>
Brandywine Village Network Program	\$ 5,325	\$ 3,500
Capital Project or At-Risk Elderly Program	24,925	24,925
Community Education and Outreach	10,675	10,675
Friends Campaign	54,120	56,680
Long-Term Continuance of the Organization	147,507	143,495
Refugee Resettlement	15,000	-
Relief Fund	7,909	7,909
Services for Battered Women	10,908	10,908
Support for Vulnerable Persons	200,000	200,000
Work Force Development	94,000	183,400
Village Garden	41,822	56,832
Lewes Office	<u>146,300</u>	<u>226,500</u>
Total	<u>\$ 758,491</u>	<u>\$ 924,824</u>

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 2: NET ASSETS - CONTINUED

Permanently restricted net assets consisted of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Restricted Purpose		
Restricted for the Long-Term Continuance of the Organization	\$ 111,198	\$ 111,198

Net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors.

	<u>2016</u>	<u>2015</u>
Purpose Restrictions Accomplished		
Brandywine Village Network	\$ 53,176	\$ 80,000
Counseling	-	581
Friends Campaign	72,658	42,266
Kimmel-Spiller Healing Center	-	3,000
Long-Term Continuance of the Organization	2,440	1,906
Relief Fund	-	2,681
Work Force Development	163,400	140,000
Purchase of Equipment	-	5,500
Village Garden	52,701	14,646
Lewes Office	214,500	11,700
Total Restrictions Released	\$ 558,875	\$ 302,280

NOTE 3: INVESTMENTS

The Organization has invested funds with Jewish Fund for the Future. The underlying investments are marketable debt and equity securities. Investments are marked to market on a regular basis by Jewish Fund for the Future and the Organization recognizes its investments at fair value accordingly. Cost and fair value of the investments were as follows as of December 31:

	<u>Cost</u>	<u>Fair Value</u>
Jewish Fund for the Future		
2016	\$ 307,362	\$ 325,960
2015	300,924	306,932

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 4: BENEFICIAL INTEREST IN FUNDS HELD AT DELAWARE COMMUNITY FOUNDATION

The Organization established a fund at Delaware Community Foundation (DCF) and designated itself as the beneficiary subject to the terms of the fund agreement.

The purpose of the Jewish Family Services of Delaware Fund (Fund) is to provide for the long-term stability of the Organization. In order to carry out the purpose and objective of the Fund, the Organization and DCF must agree upon a percentage of principal assets of the Fund (usually 0% to 6%) to be distributed to the Organization annually.

The Organization recognizes its investments held by DCF in accordance with FASB ASC 958. The assets held by the DCF are designated as the Fund and recorded in the financial statements. The Organization is entitled to receive quarterly distributions of income.

The investment balance at DCF was \$186,831 and \$179,461 as of December 31, 2016 and 2015, respectively. There were no distributions from the Fund during the years ended December 31, 2016 and 2015.

NOTE 5: INVESTMENT INCOME

Investment gains (losses) consisted of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Gains (Losses) - Beneficial Interest in Funds at DCF	\$ 6,300	\$ (5,354)
Realized Gains - Investments	894	8,514
Unrealized Gains (Losses) - Investments	<u>12,590</u>	<u>(23,642)</u>
Total	<u>\$ 19,784</u>	<u>\$ (20,482)</u>

Investment fee expenses are included in bank fees on the statements of functional expenses and totaled \$5,770 and \$5,865 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6: CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances in several financial institutions, which at times exceed federally insured limits. Although the Organization's cash balances may exceed insured limits in the normal course of business, in management's opinion there is no substantial risk associated with this concentration. The amount of credit exposure in excess of federally insured limits for cash and cash equivalents and certificates of deposit as of December 31, 2016 and 2015 was \$396,058 and \$865,870, respectively.

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 7: FURNITURE, FIXTURES, AND EQUIPMENT

Furniture, fixtures, and equipment consisted of the following as of December 31:

	2016	2015
Improvements	\$ 109,745	\$ 43,030
Furniture and Fixtures	163,340	131,086
Office Equipment	289,295	276,665
	562,380	450,781
Less: Accumulated Depreciation	(339,978)	(289,443)
Furnitures, Fixtures, and Equipment - Net	\$ 222,402	\$ 161,338

NOTE 8: OPERATING LEASES

The Organization leases approximately 2,000 square feet of office space for its satellite office in Newark, Delaware. The initial term of the lease expired on August 14, 2012. The lease agreement offered an option of renewing for an additional five terms, of two years each, with a 3% increase in the annual base rent each August. The Organization has exercised its first three renewal options. The current lease term expires in July 2018 and requires monthly payments of \$2,288 beginning August 1, 2016 through July 2017 and \$2,460 beginning August 1, 2017 through July 2018.

During the year ended December 31, 2015, the Organization entered into a lease for approximately 1,800 square feet of office space for its new satellite office in Lewes, Delaware, which began operations in January 2016. The initial lease term began on December 1, 2015 and expires on November 30, 2019. The lease agreement offered an option of renewing for an additional two terms, of four years each. The current lease term requires monthly payments of \$2,350 through November 2019, with a 3% increase in year three and year four.

The Organization leases 7,287 square feet of office space from the Jewish Federation of Delaware (Federation) at the Harry & Jeanette Weinberg Jewish Community Campus, located in Wilmington, Delaware. The lease expired December 31, 2016. The Organization entered into a new lease agreement effective January 1, 2017 for a three-year term, expiring on December 31, 2019, with the option of one three-year renewal. Annual rent is determined on a yearly basis according to the Federation's facilities management budget.

Rent expense was \$130,830 and \$101,860 for the years ended December 31, 2016 and 2015, respectively.

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 8: OPERATING LEASES - CONTINUED

Future minimum lease payments are as follows for years ending December 31:

2017	\$ 131,675
2018	120,724
2019	<u>101,884</u>
	<u>\$ 354,283</u>

NOTE 9: CAPITAL LEASES

The Organization leases office equipment for various terms under capital lease agreements. The leases expire at various dates through December 2020. The asset and liability under the capital leases are originally recorded at the fair market value of the equipment. The following is a summary of the equipment held under capital leases as of December 31:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 47,817	\$ 47,817
Less: Accumulated Depreciation	<u>22,240</u>	<u>13,284</u>
	<u>\$ 25,577</u>	<u>\$ 34,533</u>

As of December 31, 2016, future minimum lease payments under capital leases are summarized as follows:

2017	\$ 13,046
2018	13,046
2019	5,682
2020	<u>2,000</u>
	33,774
Less: Amounts Representing Imputed Interest	<u>4,145</u>
PV of Future Minimum Lease Payments	29,629
Less: Current Maturities	<u>10,189</u>
Capital Lease Obligations - Net of Current Maturities	<u>\$ 19,440</u>

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 10: PENSION PLAN

The Organization sponsors a 401(k) retirement plan with a safe harbor employer matching feature. The safe harbor contributions are a 100% match on employee salary deferrals up to 4% of compensation. Additional matching contributions and qualified non-elective contributions are made at the discretion of the Organization. Eligible employees may participate in elective deferrals on the date of employment. Eligible employees may participate in the safe harbor matching contributions and discretionary employer contributions after completing 1 year of service and attaining the age of 21.

Matching contributions to the plan for the years ended December 31, 2016 and 2015 were \$61,835 and \$66,422, respectively.

NOTE 11: COMMITMENTS

The Organization has an employment agreement with their chief executive officer through December 2019.

In November 2016, the Organization entered into a consulting agreement totaling \$10,000. As of December 31, 2016, the Organization was obligated to \$5,000 in accordance with the agreement.

Subsequent to the year ended December 31, 2016 the Organization entered into a consulting agreement with a grant writing firm. The agreement, which requires monthly payments of \$3,500, commences on January 17, 2017 and continues for 6 months and unless terminated, continues month to month thereafter.

NOTE 12: FAIR VALUE MEASUREMENTS

The Organization follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. Under FASB ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. FASB ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted market prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 12: FAIR VALUE MEASUREMENTS - CONTINUED

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair values of assets measured on a recurring basis were as follows as of December 31:

	2016			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 325,960	\$ -	\$ 325,960	\$ -
Beneficial Interest in Funds Held at Delaware Community Foundation	<u>186,831</u>	<u>-</u>	<u>186,831</u>	<u>-</u>
Total Investments	<u><u>\$ 512,791</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 512,791</u></u>	<u><u>\$ -</u></u>
	2015			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 306,932	\$ -	\$ 306,932	\$ -
Beneficial Interest in Funds Held at Delaware Community Foundation	<u>179,461</u>	<u>-</u>	<u>179,461</u>	<u>-</u>
Total Investments	<u><u>\$ 486,393</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 486,393</u></u>	<u><u>\$ -</u></u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 13: ENDOWMENT

The Organization's endowment consists of approximately 13 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (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, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Organization and the donor-restricted endowment funds, (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 the Organization, and (7) the investment policies of the Organization.

Endowment by net assets composition by type of fund was as follows as of December 31:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds				
Amounts Held in Investments	\$ -	\$ 70,831	\$ 17,820	\$ 88,651
Beneficial Interest in Funds Held at DCF	-	47,398	59,831	107,229
Cash Restricted for Endowment Funds	-	29,278	33,547	62,825
Total Donor-Restricted Endowment Funds	-	147,507	111,198	258,705
Board-Designated Endowment Funds				
Amounts Held in Investments	237,309	-	-	237,309
Total Board-Designated Endowment Funds	237,309	-	-	237,309
Total Funds	<u>\$ 237,309</u>	<u>\$ 147,507</u>	<u>\$ 111,198</u>	<u>\$ 496,014</u>

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 13: ENDOWMENT - CONTINUED

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds				
Amounts Held in Investments	\$ -	\$ 65,656	\$ 17,820	\$ 83,476
Beneficial Interest in Funds Held at DCF	-	48,561	59,831	108,392
Cash Restricted for Endowment Funds	-	29,278	33,547	62,825
Total Donor-Restricted Endowment Funds	-	143,495	111,198	254,693
Board-Designated Endowment Funds				
Amounts Held in Investments	223,455	-	-	223,455
Total Board-Designated Endowment Funds	223,455	-	-	223,455
Total Funds	<u>\$ 223,455</u>	<u>\$ 143,495</u>	<u>\$ 111,198</u>	<u>\$ 478,148</u>

Changes in endowment net assets for the years ended December 31, 2016 and 2015 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - January 1, 2015	<u>\$ 229,943</u>	<u>\$ 148,854</u>	<u>\$ 111,198</u>	<u>\$ 489,995</u>
Investment Return				
Investment Income	6,840	4,477	-	11,317
Net Depreciation - Realized and Unrealized	(11,014)	(7,348)	-	(18,362)
Total Investment Return	(4,174)	(2,871)	-	(7,045)
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	(2,314)	(2,488)	-	(4,802)
Endowment Net Assets - December 31, 2015	<u>223,455</u>	<u>143,495</u>	<u>111,198</u>	<u>478,148</u>
Investment Return				
Investment Income	6,324	4,596	-	10,920
Net Appreciation - Realized and Unrealized	9,817	1,856	-	11,673
Total Investment Return	16,141	6,452	-	22,593
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	(2,287)	(2,440)	-	(4,727)
Endowment Net Assets - December 31, 2016	<u>\$ 237,309</u>	<u>\$ 147,507</u>	<u>\$ 111,198</u>	<u>\$ 496,014</u>

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 13: ENDOWMENT - CONTINUED

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets:

	<u>2016</u>	<u>2015</u>
Permanently Restricted Net Assets		
Portion of Perpetual Endowment Funds Required to be Retained by Explicit Donor Stipulation or by UPMIFA	<u>\$ 111,198</u>	<u>\$ 111,198</u>
Total Endowment Funds Classified as Permanently Restricted Net Assets	<u><u>\$ 111,198</u></u>	<u><u>\$ 111,198</u></u>
Temporarily Restricted Net Assets		
Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA with Purpose Restriction	<u>\$ 147,507</u>	<u>\$ 143,495</u>
Total Endowment Funds Classified as Temporarily Restricted Net Assets	<u><u>\$ 147,507</u></u>	<u><u>\$ 143,495</u></u>

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are to be reported in unrestricted net assets. There were no deficiencies in funds as of December 31, 2016 and 2015.

Investment Return Objectives and Risk Parameters - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return that is sufficient to offset normal inflation plus the spending policy. Actual returns in any given year may vary from this amount.

Investment Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a

JEWISH FAMILY SERVICES OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 13: ENDOWMENT - CONTINUED

Investment Strategies Employed for Achieving Objectives - Continued - diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 14: LINE OF CREDIT

The Organization had an available line of credit from TD Bank of \$100,000 as of December 31, 2016 and 2015. The line of credit bears interest at a rate equal to the *Wall Street Journal* prime rate plus 1%, with a floor of 4.25%. The effective rate of the line of credit as of December 31, 2016 and 2015 was 4.75% and 4.50%, respectively. The line is secured by all assets of the Organization. As of December 31, 2016 and 2015, there was no outstanding balance.

NOTE 15: SPECIAL EVENTS

The Organization reports special event revenue on the statement of activities net of direct benefits to donors. Direct benefits to donors for the years ended December 31, 2016 and 2015 totaled \$8,926 and \$6,417, respectively.

NOTE 16: RECLASSIFICATION

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The reclassification had no effect on prior year change in net assets or total net assets.