

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

**FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION**

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Los Angeles Section
National Council of Jewish Women, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles Section, National Council of Jewish Women, Inc. ("NCJW/LA"), a nonprofit organization, which comprise the Statement of Financial Position as of June 30, 2016, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year 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 audit. 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. 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 Los Angeles Section, National Council of Jewish Women, Inc.'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 Los Angeles Section, National Council of Jewish Women Inc.'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT

continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Section, National Council of Jewish Women, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2016 on our consideration of Los Angeles Section, National Council of Jewish Women, Inc.'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Los Angeles Section, National Council of Jewish Women, Inc.'s internal control over financial reporting and compliance.

Prior Period Financial Statement

The financial statements of Los Angeles Section, National Council of Jewish Women, Inc. as of June 30, 2015, were audited by other auditors whose report dated October 21, 2015, expressed an unmodified opinion on those financial statements.

Harrington Group

Pasadena, California
September 12, 2016

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With comparative totals at June 30, 2015

	Unrestricted	Temporarily Restricted	2016	2015
ASSETS				
Cash	\$ 654,827	\$ 597,826	\$ 1,252,653	\$ 1,039,524
Accounts receivable	5,677		5,677	9,000
Prepaid expenses and other assets (Note 3)	364,426		364,426	373,832
Investments (Note 4)	2,153,193		2,153,193	2,136,146
Property and equipment (Note 6)	1,321,739		1,321,739	1,459,788
	TOTAL ASSETS	\$ 597,826	\$ 5,097,688	\$ 5,018,290
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses (Note 7)	\$ 606,958	\$ -	\$ 606,958	\$ 620,323
Accrued unemployment (Note 8)	75,090		75,090	75,090
	TOTAL LIABILITIES	-	682,048	695,413
COMMITMENTS AND CONTINGENCIES (Notes 8, 10, and 13)				
NET ASSETS				
Unrestricted				
General (Note 2)	2,117,814		2,117,814	2,403,279
Board-designated reserves (Note 2 and 10)	1,700,000		1,700,000	1,600,000
Temporarily restricted (Note 11)		597,826	597,826	319,598
	TOTAL NET ASSETS	597,826	4,415,640	4,322,877
	TOTAL LIABILITIES AND NET ASSETS	\$ 597,826	\$ 5,097,688	\$ 5,018,290

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

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

STATEMENT OF ACTIVITIES
For the year ended June 30, 2016
With comparative totals for the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	2016	2015
PUBLIC SUPPORT AND REVENUE				
Council thrift shops				
Thrift shop sales	\$ 9,489,560	\$ -	\$ 9,489,560	\$ 9,064,534
Less: thrift shop operating costs	(7,673,144)		(7,673,144)	(7,179,944)
Car sales	4,530		4,530	-
Contributions - in-kind services	15,500		15,500	7,710
Net council thrift shops	1,836,446	-	1,836,446	1,892,300
Contributions	135,796	387,614	523,410	474,326
Contributions - in-kind program materials (Note 12)	437,006		437,006	429,828
Grants - government	137,032		137,032	175,381
Program service revenue	91,775		91,775	85,211
In-kind contributions of services	49,494		49,494	45,258
Shared occupancy	27,016		27,016	36,265
Membership dues	25,753		25,753	17,156
Other income	6,081		6,081	589
Bequests	5,000		5,000	32
Net assets released from program restrictions	109,386	(109,386)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	2,860,785	278,228	3,139,013	3,156,346
EXPENSES				
Program services				
Community Mental Health and Supportive Services	1,644,045		1,644,045	1,580,490
Leadership and Membership Development	288,080		288,080	244,271
Youth Educational Programs and Services	288,105		288,105	259,919
Legislative Community Engagement	288,227		288,227	248,650
Advocacy	152,131		152,131	196,815
	2,660,588	-	2,660,588	2,530,145
Support Services				
Management and general	237,816		237,816	236,926
Fundraising	164,893		164,893	158,451
	402,709	-	402,709	395,377
TOTAL EXPENSES	3,063,297	-	3,063,297	2,925,522
CHANGE IN NET ASSETS FROM OPERATIONS	(202,512)	278,228	75,716	230,824
INVESTMENT INCOME, NET OF FEES	17,047		17,047	89,663
CHANGES IN NET ASSETS	(185,465)	278,228	92,763	320,487
NET ASSETS, BEGINNING OF YEAR	4,003,279	319,598	4,322,877	4,002,390
NET ASSETS, END OF YEAR	\$ 3,817,814	\$ 597,826	\$ 4,415,640	\$ 4,322,877

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

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016
With comparative totals for the year ended June 30, 2015

	Program Services					Support Services				Total Expenses	
	Community Mental Health and Supportive Services	Leadership and Membership Development	Youth Educational Programs and Services	Legislative Community Engagement	Advocacy	Total Program Services	Management and General	Fundraising	Total Support Services	2016	2015
Salaries and wages	\$ 652,293	\$ 132,040	\$ 139,307	\$ 150,732	\$ 64,713	\$ 1,139,085	\$ 68,015	\$ 106,605	\$ 174,620	\$ 1,313,705	\$ 1,226,966
Employee benefits and payroll taxes	142,041	32,132	36,066	31,497	17,825	259,561	15,819	24,817	40,636	300,197	295,167
Total personnel expenses	794,334	164,172	175,373	182,229	82,538	1,398,646	83,834	131,422	215,256	1,613,902	\$1,522,133
Contributions - in-kind program materials (Note 12)	437,006					437,006			-	437,006	425,914
Programs - direct expenditures	70,511	21,813	51,810	15,229	12,677	172,040		11,110	11,110	183,150	205,173
Program support - national organization	31,600	38,152	31,600	31,600	31,600	164,552			-	164,552	136,345
Advertising and public relations	8,718	27,838	4,494	5,109	2,544	48,703	87	1,961	2,048	50,751	33,980
Computer support	19,449	3,277	900	458	1,120	25,204	5,959	679	6,638	31,842	23,782
Conferences, conventions, and meetings	1,432	829	2,585	20,453	1,221	26,520	979	678	1,657	28,177	6,948
Depreciation and amortization	82,631	9,400	7,078	3,539	8,848	111,496	63,016	5,640	68,656	180,152	160,571
Food expense	794	435	435	497	356	2,517	514	375	889	3,406	3,980
Insurance	13,206	912	1,520	1,520	709	17,867	12,716	608	13,324	31,191	38,020
Office expense	18,848	6,351	5,350	6,306	4,971	41,826	8,062	6,118	14,180	56,006	59,419
Payroll processing fees	7,079	832	985	1,259	331	10,486	17,369	414	17,783	28,269	19,107
Postage and shipping	1,851	2,232	84	472	251	4,890	1,150	757	1,907	6,797	2,752
Printing and publications	6,840	4,941	1,564	5,165	780	19,290	697	859	1,556	20,846	13,162
Professional services- in-kind	37,248	2,286		9,960		49,494			-	49,494	45,258
Professional services- other	44,281	490	341	490	341	45,943	23,191	1,336	24,527	70,470	58,604
Repairs and maintenance	17,019	1,776	1,421	711	1,776	22,703	9,590	1,065	10,655	33,358	62,982
Scholarship awarded	31,500					31,500			-	31,500	54,843
Telephone	8,512	1,093	1,430	1,515	863	13,413	4,256	768	5,024	18,437	13,244
Travel expenses	594	74	194	1,244	28	2,134	41	397	438	2,572	6,815
Utilities	10,592	1,177	941	471	1,177	14,358	6,355	706	7,061	21,419	32,490
Total 2016 functional expenses	\$ 1,644,045	\$ 288,080	\$ 288,105	\$ 288,227	\$ 152,131	\$ 2,660,588	\$ 237,816	\$ 164,893	\$ 402,709	\$ 3,063,297	
Total 2015 functional expenses	\$ 1,580,490	\$ 244,271	\$ 259,919	\$ 248,650	\$ 196,815	\$ 2,530,145	\$ 236,926	\$ 158,451	\$ 395,377		\$ 2,925,522

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

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

STATEMENT OF CASH FLOWS

For the year ended June 30, 2016

With comparative totals for the year ended June 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 92,763	\$ 320,487
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	248,620	228,275
Reinvested dividends and interest, net of fees	(34,094)	(20,430)
Loss (gain) on investments	17,047	(69,233)
(Increase) decrease in operating assets:		
Accounts receivable	3,323	-
Grants receivable	-	11,095
Prepaid expenses and other assets	9,406	71,871
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(13,365)	(146,122)
Accrued unemployment	-	(12,487)
NET CASH PROVIDED BY OPERATING ACTIVITIES	323,700	383,456
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(623,340)	(525,798)
Proceeds from sale of investments	623,340	525,798
Purchase of property and equipment	(110,571)	(184,159)
Proceeds from insurance recovery	-	195,917
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(110,571)	11,758
NET INCREASE IN CASH	213,129	395,214
CASH, BEGINNING OF YEAR	1,039,524	644,310
CASH, END OF YEAR	\$ 1,252,653	\$ 1,039,524

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

LOS ANGELES SECTION NATIONAL COUNCIL OF JEWISH WOMEN, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization

National Council of Jewish Women Los Angeles (“NCJW/LA”) is a 501 (c)(3) organization and was founded in 1909. It is a grassroots organization of volunteers and advocates that address the social, economic and political realities facing women, children and families in Los Angeles by serving over 12,000 individuals each year with direct services. NCJW/LA strives to improve the quality of life for women, children, and families through responsive social services, community services and action.

NCJW/LA’s organizational philosophies were borne out of, and remain distinguished by, a strong commitment to self-sufficiency, education, social responsibility and the preservation of personal freedoms. These tenets are the cornerstone of NCJW/LA’s programs and underscore its heritage as an empowerment organization.

The following is an overview of the current programs, services, and operations:

Community Mental Health & Supportive Services (CMHSS)

Works to positively impact the lives of Los Angeles community members through direct service and support. With more than 5,000 individuals receiving assistance over the past year, social workers help people overcome challenges and enact meaningful change in their lives. The goal is not only to empower individuals, couples, families and groups through low cost, high quality psychotherapy services, but to also broaden the scope of support that is available to people throughout the city. Callers to *Talkline* received support from trained paraprofessionals to address and navigate challenges in their daily lives: from rental assistance to a clothing vouchers to use in our Council Thrift Shops. *Scholarship Program* assisted people struggling financially to return to school and complete their degrees, preparing them to enter the workforce. NCJW/LA trained and mentored Master of Social Work (MSW) students through a year-long *internship program*, exposing them to a unique philosophy of care and treatment. The CMHSS department’s work is ensuring a healthier Los Angeles and creating new avenues and opportunities of care, one person at a time.

Youth Educational Programs & Services (YEPS)

Believes in teaching the next generation, one child at a time, while providing the resources needed for each child. With the help and hard work of over 90 volunteers, this program brings programming and support to over 3,800 students a year. NCJW/LA’s volunteers bring enrichment to students across Los Angeles to create new pathways for exposing students to art and literacy opportunities through *Art Pals* and *Art Bridges Culture* programs, along with *Light Up a Library* and *After School Homework Clubs*. Programs share a common goal: to deepen the educational experiences of children around our city. NCJW/LA works with Title 1 public elementary schools as well as community-based and transitional shelters. Started this year, the *Back 2 School Store* program served over 250 students by providing new clothes, school supplies and back packs.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

1. Organization, continued

Advocacy & Legislative Community Engagement

Volunteers work towards creating a just society in which everyone will have full and equal access to the quality of life to which all are entitled. In this pursuit of justice for all, NCJW/LA is guided by the respect for all human beings and its ongoing efforts to build awareness on the issues. NCJW/LA advocates for the needs of women, children, and families by training people to become effective advocates. Members and volunteers not only speak out on important bills that aim to improve the quality of life for all in Los Angeles, California, and throughout the United States, but also work to create awareness of the issues that include economic justice, gender-related violence, human trafficking, gun violence prevention, individual and children's rights, and reproductive justice.

NCJW/LA's Council Thrift Shops

Operated by NCJW/LA for over ninety years, Council Thrift Shops ("CTS") generate the major portion of NCJW/LA's operating budget. As a direct community service, Council Thrift Shops through the Annual Clothing Giveaway and Community Voucher Program provides free clothing to people in need through a collaboration with Los Angeles organizations and agencies including shelters, homeless organizations, workforce programs and various city programs. CTS also work with organizations to provide volunteer and community service opportunities for high school students and community programs that work with the disabled.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of NCJW/LA are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted – General. These generally result from revenues generated by receiving unrestricted contributions, providing services, receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

continued

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Unrestricted – Board Designated Reserves. These are comprised of resources that the Board of Directors has established as being designated for operating reserves. The unrestricted board designated reserves for the year ended June 30, 2016 was \$1,700,000 (see Note 10).

Temporarily Restricted. NCJW/LA reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

Permanently Restricted. These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit NCJW/LA to expend all of the income (or other economic benefits) derived from the donated assets. NCJW/LA had no permanently restricted net assets at June 30, 2016.

Accounts Receivable

Accounts receivable are stated at an amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Contributions and Pledges Receivable

Contributions consist primarily of donations from foundations, businesses and the general public. Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenues in the period committed. NCJW/LA reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Investments

NCJW/LA's investments are monitored by the Finance Committee of the Board of Directors. NCJW/LA values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain (loss) on investments. Short-term highly liquid money market funds that are not used for operations are treated as investments.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Investments, continued

NCJW/LA holds investments in the form of short-term money market investments, equities, and fixed income securities. The Board of Trustees routinely reviews market values of such investments.

NCJW/LA invests in companies whose business conduct is consistent with its values, goals, and beliefs. Investments are ethically restricted and not made in the securities of companies who engage in the sale of tobacco products, handguns/rifles, gaming, pornography, or alcohol.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

NCJW/LA is required to measure certain investments and non-cash contributions at fair value. The specific techniques used to measure fair value for each element are described in the notes below that relate to each element.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the lease term. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand and five hundred dollars and the useful life is greater than one year. Useful lives of the related assets are as follows:

Building and improvements	10-30 years
Furniture and equipment	5-10 years
Software	5 years

continued

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Impairment of Long-lived Assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. If an impairment event exists due to the projected inability to recover the carrying value of an asset or asset group, an impairment loss is recognized to the extent that the carrying value exceeds estimated fair value. No impairment provision was recorded by the NCJW/LA during the year ended June 30, 2016.

Membership Dues

Membership dues are recognized as revenue when earned.

Concentration of Credit Risks

NCJW/LA places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. NCJW/LA has not incurred losses related to these investments.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are measured on a non-recurring basis and recorded at fair value in the period received.

Donated material and services of \$502,000 have been recorded on the accompanying financial statements, of which \$15,500 is included in the in-kind services for Council Thrift Shops for the year ended June 30, 2016. NCJW/LA records the value of goods donated for thrift shop sales when the goods are sold. Management believe that it is not possible to develop a reasonable estimate for the value of the inventory at the time of contribution. Accordingly, NCJW/LA does not record an inventory balance for goods held in stock within the thrift stores. Donated materials provided to needy families and individuals are recorded as contributions and expenses at the estimated fair value of the goods distributed (see Note 12).

Certain NCJW/LA programs rely upon the extensive use of volunteer time which has not been recognized with the financial statement because the activities do not meet the criteria for recognition (as described above). During the 2016 fiscal year, NCJW/LA received the services of 750 volunteers providing approximately 15,500 hours of service. Management has estimated the value of these services to be approximately \$425,000 using the Independent Sector Volunteer Rate for California of \$27.59.

continued

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Sales Tax

All applicable sales taxes are calculated based on the total sales price for the qualifying goods sold. All sales taxes are presented on the net basis and as such are excluded from revenues and costs.

Income Taxes

NCJW/LA is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). In addition, NCJW/LA has been determined by the Internal Revenue Service and the Franchise Tax Board not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code and Section 23709 of the Taxation Code.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by NCJW/LA in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. NCJW/LA’s returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Deferred Rent Liability

Generally accepted accounting principles require rent expense to be recognized on a straight-line basis over the lease term. Certain NCJW/LA’s leases provide for scheduled rent increases. The excess of expense over payments is recognized as a deferred rent liability and is included in accrued liabilities at June 20, 2016.

Functional Allocation of Expenses

Costs of providing NCJW/LA’s programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. NCJW/LA uses square footage, time studies, and percentage of use estimates to allocate indirect costs.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NCJW/LA's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

Reclassifications

For comparability, certain June 30, 2015 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at June 30, 2016.

Subsequent Events

Management has evaluated subsequent events through September 12, 2016, the date the financial statements were available for issue. No events or transactions have occurred during this period that appears to require recognition or disclosure in the financial statements.

3. Prepaid Expenses and Other Assets

Prepaid expenses and other assets at June 30, 2016 consist of the following:

Prepaid rent and insurance	\$231,318
Thrift store rental deposits	132,923
Other	<u>185</u>
	<u>\$364,426</u>

4. Investments

Investments at June 30, 2016 consist of the following:

Equities	\$1,325,058
Mutual stock funds	302,948
Corporate bonds	188,521
Money market funds	184,676
Government securities	<u>151,990</u>
	<u>\$2,153,193</u>

continued

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

4. Investments, continued

Activity in the investments during the fiscal year ended June 30, 2016 was as follows:

Balance, beginning of year	\$2,136,146
Purchases of investments	623,340
Reinvested dividends and interest	51,269
Investment fees	(17,175)
Proceeds from sales of investments	(623,340)
Realized gains on sales of investments	46,641
Unrealized losses on investments	<u>(63,688)</u>
	<u>\$2,153,193</u>

5. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2016 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$1,325,058	\$ -	\$ -	\$1,325,058
Mutual stock funds	302,948			302,948
Corporate bonds		188,521		188,521
Money market funds	184,676			184,676
Government securities	<u>151,990</u>			<u>151,990</u>
	<u>\$1,964,672</u>	<u>\$188,521</u>	<u>\$ -</u>	<u>\$2,153,193</u>

The fair value of marketable securities within the Level 1 inputs are based on quoted market prices as of the closing of the last business day of the fiscal year.

The fair value of marketable securities within the Level 2 inputs are based on quoted prices in active or inactive markets for the same or similar assets.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

6. Property and Equipment

Property and equipment at June 30, 2016 consist of the following:

Land	\$ 90,750
Buildings	1,677,388
Furniture, fixtures, and equipment	583,622
Computer software and hardware	183,257
Leasehold improvements	<u>477,044</u>
	3,012,061
Less: accumulated depreciation and amortization	<u>(1,690,322)</u>
	<u>\$ 1,321,739</u>

Depreciation and amortization expense for the year ended June 30, 2016 was \$248,620, of which \$68,468 is included in the Council thrift shop operating costs for the fiscal year ended June 30, 2016.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2016 consist of the following:

Accrued vacation	\$202,774
Accrued payroll	190,464
Accrued straight-line rent	78,974
Sales tax payable	66,508
Pension plan payable	20,469
Other accrued liabilities	<u>47,769</u>
	<u>\$606,958</u>

8. Accrued Unemployment Liability

NCJW/LA has elected to be self-insured for purposes of California State unemployment insurance. Under this method, NCJW/LA does not make contributions to the State Unemployment Insurance Fund. It currently uses an unemployment trust to handle its claims for unemployment benefits paid to eligible ex-employees. Under this election, NCJW/LA has established a provision for future claims, the accrued unemployment liability, of \$75,090 at June 30, 2016. NCJW/LA makes quarterly deposits to the trust based on an estimated, expected value of future benefits. Cash held by the trust on behalf of NCJW/LA in the amount of \$54,102 is included in cash at June 30, 2016. Unemployment claims for the year ended June 30, 2016 were \$20,988.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

9. Line of Credit

NCJW/LA has a revolving line of credit in the amount of \$100,000 with a bank, at an initial interest rate of the bank reference rate plus three percentage points. There is no outstanding balance on the line of credit at June 30, 2016. The line of credit agreement contains various restrictive covenants that include the maintenance of certain financial ratios, as defined in the agreement. For the fiscal year ended June 30, 2016, NCJW/LA met all debt covenants.

10. Operating Reserve Fund Policy

In 2014, NCJW/LA's Finance Committee adopted an Operating Reserve Policy that requires NCJW/LA to maintain a non-restricted reserve of \$1,500,000 to financially support NCJW/LA during times of severe economic loss resulting from the impact of natural disasters on the thrift stores operations, and a building and capital asset reserve for long-term capital projects. Both reserves have been included in the investments on the statement of financial position. The operating reserve funds are invested in accordance with the Investment Policy adopted by the Board of Directors. Withdrawals from the reserves to solve temporary cash flow problems must be approved by the Executive Director in consultation with the Treasurer. Withdrawals from the reserves that are in accordance with the purposes of the reserves must be submitted by the Finance Committee and approved by the Board of Directors. During the year ended June 30, 2016, the reserve for economic severe economic loss was increased by \$100,000 to \$1,600,000. The two reserves total \$1,700,000.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 consist of the following:

Roth Family Foundation	\$250,000
Weingart Foundation	87,500
Sherman and Frances Teller Teachers' Scholarship	51,953
S. Teller and R. Holton Television and Cinema Scholarship	47,100
Back to School Store	36,167
Emergency Survival Fund	27,793
Rental Assistance	25,474
Susan Schulman Begley Scholarship	14,250
June Miller Scholarship Fund	14,148
Samuel Schulman Scholarship	11,192
I. Lawrence/Mr. Bauer Scholarship Fund	9,939
Advocacy-CA PAN	8,000
Singerman - Nosseck Scholarship	5,521
Sophie Greenstadt Scholarship Fund	4,289
Shelli Dodell Scholarship Fund	3,000
S. Goldberg Childcare Scholarship Fund	<u>1,500</u>
	<u>\$597,826</u>

continued

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

12. Contributions – In-Kind Program Materials

During the year, NCJW/LA received donated thrift shop goods at its stores, which it in turn provided to the clients it serves under CMHSS. Under NCJW/LA's thrift stores policy, donated items are not recorded until sold. These thrift shop goods, although not sold, are recorded and valued at the average fair market values of similar goods sold at NCJW/LA's thrift stores to reflect their use by NCJW/LA's programs. For the year ended June 30, 2016, a total of \$437,006 was recognized as contributions - in-kind program materials revenue and expense.

13. Commitments and Contingencies

Operating Leases

NCJW/LA leases eight thrift shop store under operating leases expiring through August 2022. Some of these leases are subject to escalation clauses that will increase the lease payment by the percentage increase in the Consumer Price Index ("CPI"). Some of the leases contain options at the end of the lease term to extend the lease for an additional period of time as negotiated. Increases in future lease payments due to annual CPI changes are not reflected in the minimum future payments.

Total future minimum rentals under non-cancellable operating leases for the next five years are as follows:

<u>Year ended June 30,</u>	
2017	\$1,371,235
2018	1,288,072
2019	1,410,713
2020	928,369
2021	639,082
Thereafter	<u>537,010</u>
	<u>\$6,174,481</u>

Rent expense under operating leases for the year ended June 30, 2016 was \$1,434,769.

Contracts

NCJW/LA's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, NCJW/LA has no provisions for the possible disallowance of program costs on its financial statements.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

14. Employee Benefit Plan

NCJW/LA has a deferred tax compensation plan available to all employees with one or more years of service and who have reached age twenty-one. Employees may contribute any whole percentage of annual compensation provided that it does not exceed maximum amounts as permitted by law. On an annual basis, the Board of Directors of NCJW/LA determines whether NCJW/LA will match employee contributions based on the financial performance of the agency for the year then ended. NCJW/LA made matching contributions up to 3% of employee's annual earnings during the year ended June 30, 2016. Employer contributions under this plan for the year ended June 30, 2016 were \$40,185.

ADDITIONAL INFORMATION

**Independent Auditors' 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
Los Angeles Section
National Council of Jewish Women, Inc.

We have audited, in accordance with the 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, the financial statements of Los Angeles Section, National Council of Jewish Women, Inc. ("NCJW/LA"), a nonprofit organization, which comprise the Statement of Financial Position as of June 30, 2016, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NCJW/LA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NCJW/LA's internal control. Accordingly, we do not express an opinion on the effectiveness of the NCJW/LA's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Independent Auditors' 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***
continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NCJW/LA's financial statements are free from material misstatement, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Pasadena, California
September 12, 2016