

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

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**FINANCIAL STATEMENTS  
and  
ADDITIONAL INFORMATION**

**JUNE 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

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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., a nonprofit organization, which comprise the Statement of Financial Position as of June 30, 2017, 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## INDEPENDENT AUDITORS' REPORT

continued

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### 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, 2017, 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 Matter

#### *Report on Summarized Comparative Information*

We have previously audited Los Angeles Section National Council of Jewish Women, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2017, 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 solely 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 effectiveness of Los Angeles Section National Council of Jewish Women, Inc.'s 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.

*Harrington Group*

Pasadena, California

October 11, 2017

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

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With comparative totals at June 30, 2016

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>				
Cash	\$ 529,213	\$ 362,452	\$ 891,665	\$ 1,252,653
Accounts receivable			-	5,677
Prepaid expenses and other assets (Note 3)	386,375		386,375	364,426
Investments (Note 4)	2,382,713		2,382,713	2,153,193
Property and equipment (Note 6)	1,120,701		1,120,701	1,321,739
<b>TOTAL ASSETS</b>	<b>\$ 4,419,002</b>	<b>\$ 362,452</b>	<b>\$ 4,781,454</b>	<b>\$ 5,097,688</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses (Note 7)	\$ 576,059	\$ -	\$ 576,059	\$ 606,958
Accrued unemployment (Note 8)	75,090		75,090	75,090
<b>TOTAL LIABILITIES</b>	651,149	-	651,149	682,048
<b>COMMITMENTS AND CONTINGENCIES (Notes 8, 10, and 13)</b>				
<b>NET ASSETS</b>				
Unrestricted				
General (Note 2)	1,967,853		1,967,853	2,117,814
Board-designated reserves (Note 2 and 10)	1,800,000		1,800,000	1,700,000
Temporarily restricted (Note 11)		362,452	362,452	597,826
<b>TOTAL NET ASSETS</b>	3,767,853	362,452	4,130,305	4,415,640
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,419,002</b>	<b>\$ 362,452</b>	<b>\$ 4,781,454</b>	<b>\$ 5,097,688</b>

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, 2017  
With comparative totals for the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	2017	2016
<b>PUBLIC SUPPORT AND REVENUE</b>				
Council thrift shops				
Thrift shop sales	\$ 9,351,724	\$ -	\$ 9,351,724	\$ 9,489,560
Less: thrift shop operating costs	(7,748,820)		(7,748,820)	(7,673,144)
Car sales			-	4,530
Contributions - in-kind services	10,500		10,500	15,500
Net council thrift shops	1,613,404	-	1,613,404	1,836,446
Contributions	142,088	140,973	283,061	523,410
Contributions - in-kind program materials (Note 12)	440,577		440,577	437,006
Grants - government	151,673		151,673	137,032
Program service revenue	97,143		97,143	91,775
In-kind contributions of services	21,795		21,795	49,494
Rental income	40,763		40,763	27,016
Membership dues	16,979		16,979	25,753
Other income	5,727		5,727	6,081
Bequests			-	5,000
Net assets released from program restrictions	376,347	(376,347)	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>2,906,496</b>	<b>(235,374)</b>	<b>2,671,122</b>	<b>3,139,013</b>
<b>EXPENSES</b>				
Program services				
Community Mental Health and Supportive Services	1,665,295		1,665,295	1,644,045
Leadership and Membership Development	280,060		280,060	288,080
Youth Educational Programs and Services	449,669		449,669	288,105
Advocacy and Legislative Community Engagement	380,435		380,435	440,358
	2,775,459	-	2,775,459	2,660,588
Support Services				
Management and general	229,086		229,086	237,816
Fundraising	181,432		181,432	164,893
	410,518	-	410,518	402,709
<b>TOTAL EXPENSES</b>	<b>3,185,977</b>	<b>-</b>	<b>3,185,977</b>	<b>3,063,297</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>(279,481)</b>	<b>(235,374)</b>	<b>(514,855)</b>	<b>75,716</b>
<b>INVESTMENT INCOME, NET OF FEES</b>	<b>229,520</b>		<b>229,520</b>	<b>17,047</b>
<b>CHANGES IN NET ASSETS</b>	<b>(49,961)</b>	<b>(235,374)</b>	<b>(285,335)</b>	<b>92,763</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,817,814</b>	<b>597,826</b>	<b>4,415,640</b>	<b>4,322,877</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,767,853</b>	<b>\$ 362,452</b>	<b>\$ 4,130,305</b>	<b>\$ 4,415,640</b>

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, 2017

With comparative totals for the year ended June 30, 2016

	Program Services				Total Program Services	Support Services		Total Support Services	Total Expenses	
	Community Mental Health and Supportive Services	Leadership and Membership Development	Youth Educational Programs and Services	Advocacy and Legislative Community Engagement		Management and General	Fundraising		2017	2016
Salaries and wages	\$ 566,442	\$ 136,595	\$ 134,305	\$ 210,607	\$ 1,047,949	\$ 67,065	\$ 112,622	\$ 179,687	\$ 1,227,636	\$ 1,313,705
Employee benefits and payroll taxes	121,263	27,899	32,729	40,202	222,093	9,214	21,723	30,937	253,030	300,197
Total personnel expenses	687,705	164,494	167,034	250,809	1,270,042	76,279	134,345	210,624	1,480,666	1,613,902
Contributions - in-kind program materials (Note 12)	440,577				440,577			-	440,577	437,006
Programs - direct expenditures	192,338	14,848	206,483	29,589	443,258		17,775	17,775	461,033	183,150
Program support - national organization	36,859	41,684	36,859	36,858	152,260			-	152,260	164,552
Advertising and public relations	5,047	20,247	2,924	4,723	32,941	143	2,417	2,560	35,501	50,751
Computer support	18,098	3,277	905	1,551	23,831	5,817	689	6,506	30,337	31,842
Conferences, conventions, and meetings	789	394	482	614	2,279	569	350	919	3,198	28,177
Depreciation and amortization	79,956	8,800	6,841	11,971	107,568	57,532	5,280	62,812	170,380	180,152
Food expense	834	417	510	826	2,587	603	540	1,143	3,730	3,406
Insurance	31,631	5,846	5,567	8,415	51,459	7,357	3,566	10,923	62,382	31,191
Office expense	17,542	5,522	5,333	6,322	34,719	11,861	9,061	20,922	55,641	56,006
Payroll processing fees	7,213	948	1,073	1,859	11,093	855	544	1,399	12,492	28,269
Postage and shipping	293	966	90	455	1,804	1,415	374	1,789	3,593	6,797
Printing and publications	842	1,045	395	718	3,000	379	466	845	3,845	20,846
Professional services - in-kind	7,875		4,020	9,900	21,795			-	21,795	49,494
Professional services - other	67,600	6,761	5,922	7,862	88,145	42,886	2,901	45,787	133,932	70,470
Repairs and maintenance	21,233	2,292	1,834	3,210	28,569	12,380	1,375	13,755	42,324	33,358
Scholarship awarded	28,500				28,500			-	28,500	31,500
Telephone	6,412	974	1,394	1,988	10,768	3,032	637	3,669	14,437	18,437
Travel expenses	742	77	829	710	2,358	52	231	283	2,641	2,572
Utilities	13,209	1,468	1,174	2,055	17,906	7,926	881	8,807	26,713	21,419
<b>TOTAL 2017 FUNCTIONAL EXPENSES</b>	<b>\$ 1,665,295</b>	<b>\$ 280,060</b>	<b>\$ 449,669</b>	<b>\$ 380,435</b>	<b>\$ 2,775,459</b>	<b>\$ 229,086</b>	<b>\$ 181,432</b>	<b>\$ 410,518</b>	<b>\$ 3,185,977</b>	
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 1,644,045	\$ 288,080	\$ 288,105	\$ 440,358	\$ 2,660,588	\$ 237,816	\$ 164,893	\$ 402,709		\$ 3,063,297

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, 2017

With comparative totals for the year ended June 30, 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (285,335)	\$ 92,763
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	237,028	248,620
Reinvested dividends and interest	(53,560)	(34,094)
(Gain) loss on investments, net of fees	(175,960)	17,047
(Increase) decrease in operating assets:		
Accounts receivable	5,677	3,323
Prepaid expenses and other assets	(21,949)	9,406
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(30,899)	(13,365)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(324,998)</b>	<b>323,700</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(711,114)	(623,340)
Proceeds from sale of investments	711,114	623,340
Purchase of property and equipment	(35,990)	(110,571)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(35,990)</b>	<b>(110,571)</b>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(360,988)</b>	<b>213,129</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>1,252,653</b>	<b>1,039,524</b>
<b>CASH, END OF YEAR</b>	<b>\$ 891,665</b>	<b>\$ 1,252,653</b>

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



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

NOTES TO FINANCIAL STATEMENTS

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**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 200 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 350 students by providing new clothes, school supplies, and back packs.

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

NOTES TO FINANCIAL STATEMENTS

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**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, immigration rights, 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.

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

NOTES TO FINANCIAL STATEMENTS

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**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, 2017 was \$1,800,000 (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, 2017.

**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

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**2. Summary of Significant Accounting Policies, 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 the financial statement elements are described in the notes below that relates 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 five thousand 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

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

NOTES TO FINANCIAL STATEMENTS

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**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, 2017.

**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 \$472,872 have been recorded on the accompanying financial statements, of which \$10,500 is included in the in-kind services for Council Thrift Shops for the year ended June 30, 2017. 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 2017 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

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**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 30, 2017.

**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

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**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, 2016, from which the summarized information was derived.

**Reclassification**

For comparability, certain June 30, 2016 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at June 30, 2017.

**Subsequent Events**

Management has evaluated subsequent events through October 11, 2017, 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, 2017 consist of the following:

Prepaid rent and insurance	\$258,873
Thrift store rental deposits and other	<u>127,502</u>
	<u>\$386,375</u>

**4. Investments**

Investments at June 30, 2017 consist of the following:

Exchange traded funds (ETF)	\$1,676,733
Money market funds	318,250
Fixed income	314,839
Mutual funds	<u>72,891</u>
	<u>\$2,382,713</u>

continued

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

NOTES TO FINANCIAL STATEMENTS

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**4. Investments, continued**

Activity in the investments during the fiscal year ended June 30, 2017 was as follows:

Balance, beginning of year	\$2,153,193
Reinvested dividends and interest	53,560
Investment fees	(116,032)
Realized losses sales of investments	(455,936)
Unrealized gains on investments	<u>747,928</u>
	<u>\$2,382,713</u>

**5. Fair Value Measurements**

The table below presents the balances of assets measured at fair value at June 30, 2017 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ETF's	\$1,676,733	\$ -	\$ -	\$1,676,733
Corporate and government bonds		314,839		314,839
Mutual funds - bonds	<u>72,891</u>			<u>72,891</u>
	<u>\$1,749,624</u>	<u>\$314,839</u>	<u>\$ -</u>	<u>\$2,064,463</u>

The fair value of ETF's and mutual funds 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 corporate and government bonds 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

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**6. Property and Equipment**

Property and equipment at June 30, 2017 consist of the following:

Land	\$ 90,750
Buildings	1,697,588
Furniture, fixtures, and equipment	587,278
Computer software and hardware	183,257
Leasehold improvements	<u>489,179</u>
	3,048,052
Less: accumulated depreciation and amortization	<u>(1,927,351)</u>
	<u>\$ 1,120,701</u>

Depreciation and amortization expense for the year ended June 30, 2017 was \$237,028, of which \$66,648 is included in the Council Thrift Shop operating costs for the fiscal year ended June 30, 2017.

**7. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at June 30, 2017 consist of the following:

Accrued vacation	\$218,108
Accrued payroll	149,705
Accrued straight-line rent	78,974
Sales tax payable	65,623
Accounts payable	27,424
Other accrued liabilities	<u>36,225</u>
	<u>\$576,059</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, 2017. 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 \$86,033 is included in cash at June 30, 2017. Unemployment claims for the year ended June 30, 2017 were \$23,443.

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

NOTES TO FINANCIAL STATEMENTS

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**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, 2017. 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, 2017, NCJW/LA met all debt covenants.

**10. Operating Reserve Fund Policy**

NCJW/LA's Finance Committee adopted an Operating Reserve Policy that requires NCJW/LA to maintain a non-restricted reserve 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 are 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, 2017, the reserve for severe economic loss was increased by \$100,000 to \$1,700,000, and the capital asset reserve remained at \$100,000. The two reserves total \$1,800,000.

**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2017 consist of the following:

Roth Family Foundation (Education Funds)	\$122,321
Sherman and Frances Teller Teachers' Scholarship	52,953
S. Teller and R. Holton Television and Cinema Scholarship	51,100
Emergency Survival Fund	32,556
I. Lawrence/Mr. Bauer Scholarship Fund	24,739
Back to School Store	16,960
Rental Assistance	13,551
Susan Schulman Begley Scholarship	13,270
Samuel Schulman Scholarship	9,692
Advocacy - CA PAN	8,000
June Miller Scholarship Fund	6,000
Singerman - Nosseck Scholarship	5,021
Sophie Greenstadt Scholarship Fund	3,289
Shelli Dodell Scholarship Fund	<u>3,000</u>
	<u>\$362,452</u>

continued

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

NOTES TO FINANCIAL STATEMENTS

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**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, 2017, a total of \$440,577 was recognized as contributions - in-kind program materials, revenue, and expense.

**13. Commitments and Contingencies**

**Operating Leases**

NCJW/LA leases eight thrift shop stores under operating leases expiring in 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 are as follows:

<u>Year ended June 30,</u>	
2018	\$1,418,883
2019	1,032,128
2020	928,369
2021	639,082
2022	495,200
Thereafter	<u>209,050</u>
	<u>\$4,722,712</u>

Rent expense under operating leases for the year ended June 30, 2017 was \$1,508,090.

**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

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**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 100% matching contributions of up to 3% of employee's annual earnings during the year ended June 30, 2017. Employer contributions under this plan for the year ended June 30, 2017 were \$43,526.

**ADDITIONAL INFORMATION**

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**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***

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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, 2017, 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 October 11, 2017.

**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 NCJW/LA'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

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**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 NCJW/LA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NCJW/LA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harrington Group*

Pasadena, California  
October 11, 2017