

**JEWISH FAMILY SERVICE
AND AFFILIATES**

**Independent Auditor's Report and
Consolidated Financial Statements
with Supplemental Information**

**June 30, 2009, with
Comparative Totals for June 30, 2008**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jewish Family Service and Affiliates

We have audited the accompanying consolidated balance sheet of Jewish Family Service and Affiliates (collectively the "Agency") as of June 30, 2009 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The prior year summarized comparative information has been derived from the Agency's June 30, 2008 consolidated financial statements and, in our report dated January 29, 2009 we expressed an unqualified opinion on those financial statements.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family Service and Affiliates as of June 30, 2009 and the results of their operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purposes of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental consolidating balance sheet and statement of changes in unrestricted net assets of Jewish Family Service and Affiliates on pages 19 and 20 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.



Seattle, Washington
November 18, 2009

JEWISH FAMILY SERVICE AND AFFILIATES
CONSOLIDATED BALANCE SHEET
JUNE 30, 2009 AND 2008

ASSETS		
	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,251,566	\$ 382,065
Accrued interest receivable	91,888	100,719
Current pledges receivable, net	2,807,800	3,932,160
Other receivables, net	1,139,280	1,125,153
Prepaid expenses	30,453	31,782
Total current assets	5,320,987	5,571,879
INVESTMENTS	9,102,518	9,694,454
LONG-TERM PLEDGES RECEIVABLE, net	10,090,837	10,997,949
PROPERTY AND EQUIPMENT, net	2,444,174	2,519,140
	\$ 26,958,516	\$ 28,783,422
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 230,730	\$ 238,251
Accrued compensation expenses	464,688	373,787
Line of credit	-	58,000
Total liabilities	695,418	670,038
NET ASSETS		
Unrestricted		
Undesignated	1,552,686	6,387,093
Net investment in property and equipment	2,444,174	2,519,140
Total unrestricted	3,996,860	8,906,233
Temporarily restricted	14,996,627	12,688,702
Permanently restricted	7,269,611	6,518,449
Total net assets	26,263,098	28,113,384
	\$ 26,958,516	\$ 28,783,422

JEWISH FAMILY SERVICE AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009, WITH COMPARATIVE TOTALS FOR 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2009	2008
SUPPORT AND REVENUES					
Support					
Contributions from individuals and foundations	\$ 1,124,128	\$ 1,094,480	\$ 1,713	\$ 2,220,321	\$ 1,780,538
Special events, net of expenses of \$125,000 and \$142,700	542,907	31,450	-	574,357	424,729
Hebrew Immigrant Aid Society	255,182	-	-	255,182	235,369
Jewish Federation of Greater Seattle	-	477,800	-	477,800	1,122,148
United Way of King County	153,001	-	-	153,001	126,104
Total support	<u>2,075,218</u>	<u>1,603,730</u>	<u>1,713</u>	<u>3,680,661</u>	<u>3,688,888</u>
Revenue					
Home care service fees	2,004,911	-	-	2,004,911	2,421,467
Governmental grants and contracts	887,040	-	-	887,040	817,900
Client service fees	476,697	-	-	476,697	549,148
Investment loss	(1,262,354)	-	-	(1,262,354)	(200,613)
Other	-	-	-	-	6,242
Total revenue	<u>2,106,294</u>	<u>-</u>	<u>-</u>	<u>2,106,294</u>	<u>3,594,144</u>
Net assets released from restrictions due to satisfaction of donor restrictions	<u>152,822</u>	<u>(152,822)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,334,334</u>	<u>1,450,908</u>	<u>1,713</u>	<u>5,786,955</u>	<u>7,283,032</u>
EXPENSES					
Program services	6,680,861	-	-	6,680,861	7,362,716
Supporting services	1,806,804	-	-	1,806,804	1,703,865
Total expenses	<u>8,487,665</u>	<u>-</u>	<u>-</u>	<u>8,487,665</u>	<u>9,066,581</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY	<u>(4,153,331)</u>	<u>1,450,908</u>	<u>1,713</u>	<u>(2,700,710)</u>	<u>(1,783,549)</u>
NON-OPERATING ACTIVITY					
Family Matters - contributions	140,447	857,017	159,919	1,157,383	4,501,569
Family Matters - expenses	<u>(306,959)</u>	<u>-</u>	<u>-</u>	<u>(306,959)</u>	<u>(515,454)</u>
Total non-operating activity	<u>(166,512)</u>	<u>857,017</u>	<u>159,919</u>	<u>850,424</u>	<u>3,986,115</u>
CHANGE IN NET ASSETS	<u>(4,319,843)</u>	<u>2,307,925</u>	<u>161,632</u>	<u>(1,850,286)</u>	<u>2,202,566</u>
NET ASSETS					
Beginning of year	8,906,233	12,688,702	6,518,449	28,113,384	25,910,818
Reclassified based on change in law	<u>(589,530)</u>	<u>-</u>	<u>589,530</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 3,996,860</u>	<u>\$ 14,996,627</u>	<u>\$ 7,269,611</u>	<u>\$ 26,263,098</u>	<u>\$ 28,113,384</u>

See accompanying notes.

JEWISH FAMILY SERVICE AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2009, WITH COMPARATIVE TOTALS FOR 2008

	Supporting Services				Total	
	Program Expenses	Management and General	Fund Raising	Total Supporting Services		
					2009	2008
Salaries	\$ 4,063,368	\$ 421,270	\$ 470,734	\$ 892,004	\$ 4,955,372	\$ 5,541,996
Employee benefits	591,000	97,038	75,794	172,832	763,832	681,066
Payroll taxes	419,473	48,277	30,336	78,613	498,086	500,085
Total salaries and related expenses	<u>5,073,841</u>	<u>566,585</u>	<u>576,864</u>	<u>1,143,449</u>	<u>6,217,290</u>	<u>6,723,147</u>
Specific assistance to individuals	538,636	-	-	-	538,636	479,210
Resettlement assistance to immigrants	69,120	-	-	-	69,120	133,593
Professional fees	199,186	170,685	9,762	180,447	379,633	284,033
Occupancy costs and communications	289,941	37,476	15,922	53,398	343,339	356,330
Business taxes and insurance	107,072	124,790	1,873	126,663	233,735	176,463
Equipment, postage and supplies	87,042	38,081	54,743	92,824	179,866	221,801
Travel, trainings and membership dues	91,533	48,794	8,262	57,056	148,589	203,931
Printing and publications	87,911	2,044	60,499	62,543	150,454	193,033
Depreciation	93,606	60,065	29,157	89,222	182,828	176,376
Other	42,973	501	701	1,202	44,175	118,664
	<u>1,607,020</u>	<u>482,436</u>	<u>180,919</u>	<u>663,355</u>	<u>2,270,375</u>	<u>2,343,434</u>
Total expenses	<u>\$ 6,680,861</u>	<u>\$ 1,049,021</u>	<u>\$ 757,783</u>	<u>\$ 1,806,804</u>	<u>\$ 8,487,665</u>	<u>\$ 9,066,581</u>

See accompanying notes.

JEWISH FAMILY SERVICE AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,850,286)	\$ 2,202,566
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation of property and equipment	186,962	176,376
Realized and unrealized loss on investments	1,730,098	624,013
Contributions restricted for long-term purposes	(1,922,896)	(629,555)
Changes in operating accounts		
Accrued interest receivable	8,831	(42,076)
Other receivables, net	(14,127)	(561,434)
Pledges receivable	2,112,420	(1,829,379)
Prepaid expenses	1,329	2,424
Accounts payable	(7,521)	32,731
Accrued compensation expenses	90,901	153,396
Net cash from operating activities	335,711	129,062
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,258,896)	(1,185,034)
Proceeds from investments	120,734	33,289
Purchase of property and equipment	(111,996)	(198,378)
Net cash from investing activities	(1,250,158)	(1,350,123)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term purposes	1,841,948	1,013,102
(Payments) proceeds on line of credit borrowings	(58,000)	58,000
Net cash from financing activities	1,783,948	1,071,102
CHANGE IN CASH AND CASH EQUIVALENTS	869,501	(149,959)
CASH AND CASH EQUIVALENTS		
Beginning of year	382,065	532,024
End of year	\$ 1,251,566	\$ 382,065

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Operations - Jewish Family Service (JFS) and Affiliates (collectively, the Agency) are not-for-profit social service organizations and a supporting foundation. Established in 1892, the Agency delivers human services to alleviate suffering, sustain healthy relationships and support people in time of need and strives to serve everyone, regardless of the ability to pay for services. Guided by the Jewish tradition of repairing the world, JFS is committed to:

- Treating people with dignity and compassion
- Providing culturally relevant services
- Helping people help themselves
- Reflecting the changing face of the community
- Collaborating with others to broaden our reach

JFS offers stability, security and solutions for those with needs locally by providing comprehensive wrap-around services that include:

Aging & Adult Programs: The program assists older adults challenged by disability, illness and/or health issues to maintain dignified, independent lifestyles. Program services include comprehensive in-home assessments, case management, family consultation, advocacy, counseling, companion services and referrals. Most of these services are provided free of charge to Holocaust survivors.

Alternatives to Addiction: The Agency provides a unique, community-wide program designed specifically as a culturally sensitive response to the disease of addiction. Program services include outreach and education, support for those in recovery, clinical services within a Jewish context and advocacy.

Counseling Services: Counseling services utilize a variety of therapeutic modalities. Individual, couple, family and group counseling is provided by professional therapists who understand the dynamics of life transitions within a cultural context.

Emergency Services (ES) & Food Bank (FB): A network of services is provided for those in crisis and financial distress. Program services include case management, subsidy assistance for rent and utilities, emergency housing vouchers, year 'round food banks and home delivery of food and gift baskets. Services are provided free of charge.

Family Life Education: A wide variety of culturally sensitive educational workshops and groups are provided that cover the lifespan of changes and challenges – all intended to strengthen individuals and families. Outreach to people of diverse backgrounds and orientation is a priority. The Endless Opportunities program facilitates meaningful connections to the community for active, healthy adults age 50+ through social, educational and recreational activities.

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

HomeCare Associates (HCA): The fee-for-service state licensed home care division of JFS responds to the evolving needs of our loved ones and peace-of-mind requirements of families. HCA provides personal care, homemaker and companion services that allow older adults to live independently for as long as possible.

Project DVORA (Domestic Violence Outreach, Response & Advocacy): Provides advocacy-based counseling and support to victims of domestic violence and their families, specialized classes for children and educational trainings for professionals and community members. All services for victims of domestic violence are provided free of charge.

Refugee & Immigrant Service Centers (RISC): The program provides services for refugees and immigrants from all cultures world-wide who are resettling in the Puget Sound area. Services include financial assistance, case management, employment services, vocational assistance and English as a Second Language (ESL) classes. All refugee services are funded by local, state and federal government sources and/or the Hebrew Immigrant Aid Society (HIAS).

Seattle Association for Jews with Disabilities (SAJD): The program provides skilled, compassionate, supported living services for people with developmental disabilities, persistent mental illness and brain injuries – assisting clients of all backgrounds realize their highest potential while living richer, more satisfying lives.

Volunteer Services: The program coordinates community volunteers year round in support of JFS clients, programs and services. Volunteers serve seniors, work in the Food Bank, deliver gift baskets to the needy and food to homebound individuals, teach ESL to resettled refugees, mentor Jewish children, enrich the lives of people challenged by cognitive disabilities and support the Agency through committee work, clerical assistance and more.

Youth & Children's Services: The program provides individual, group and school counseling, specialized groups for children who have witnessed domestic violence, summer camp scholarships for low-income youth, Big Pals/Little Pals and consultation with Jewish schools.

Principles of Consolidation - The consolidated financial statements include the accounts of JFS, SAJD and the Seattle Association for Jews with Disabilities Supporting Foundation (SAJD Foundation). JFS and SAJD share a common board and all of the affiliates are economically interrelated. All significant inter-affiliate transactions have been eliminated in the consolidated financial statements.

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

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 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.

Cash Equivalents - Cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

Pledges Receivable and Contributions - Contributions are recognized when the donor makes a promise to give (pledge) to the Agency that is, in substance, unconditional. Pledges are recorded based on verbal and/or written commitments from donors. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows. The discounts on those amounts are computed using the discount rate adjustment technique, in which the rate is based upon the rate a market participant would demand. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions are substantially met. The Agency uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. The allowance for uncollectible pledges of \$887,000 and \$757,000 was recorded as of June 30, 2009 and 2008.

Contribution amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes.

During fiscal year 2007, the Agency began a significant fundraising campaign to provide support for capital improvements, endowment growth and program enhancements planned for in its Board-approved strategic plan. The Family Matters campaign revenues consist of cash contributions collected during the fiscal year, and unconditional promises to give in the form of pledges, to be collected in the next one to eight years.

Contributions of donated food are recorded at the fair market value in the period received. Both contributions and the related program expenses of the donated food were \$209,000 and \$183,000 for the years ended June 30, 2008 and 2007.

Contributions received from current and past Board members during the years ended June 30, 2009 and 2008 approximated 21% and 26% of contributions and special events and 77% and 65% of pledges receivable.

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Other Receivables - Receivables are stated at the amount the Agency expects to collect from outstanding balances. The Agency uses the allowance method to determine uncollectible receivables based on historical experience, the aging of outstanding accounts, and management's judgment regarding collectability. Uncollectible amounts are written off after the Agency has exhausted its standard collection efforts. The Agency does not require collateral for receivables.

Investments - Investments are stated at fair value determined by quoted market prices. They consist primarily of corporate bonds, debt securities, equities and money market accounts. These investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect total net assets and the amounts reported in the balance sheet.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value. In determining fair value, the Agency is required to use valuation techniques that include observable and unobservable inputs. SFAS No. 157 was adopted by the Agency effective July 1, 2008. Investments consisting of money markets, marketable securities, and mutual funds are measured using quoted market prices in active markets for identical assets; as such, they are classified within Level 1 of the SFAS 157 hierarchy. Realized and unrealized gains and losses are reflected in the statement of activities.

Property and Equipment - Property and equipment are stated at cost, except for donated items which are stated at their fair market value at the date of the gift. In the absence of donor-imposed restrictions on the use of the donated item, the Agency reports the donated item as unrestricted support. Depreciation is provided on the straight-line method over the estimated useful lives of the property and equipment which ranges from 5 to 15 years for equipment and 40 years for buildings.

Operating and Non-Operating Activity - Operating activities represent support, revenues and expenses solely related to the Agency. Non-operating activities are the support, revenues and expenses related to the Family Matters campaign.

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Special Events - Special events include gross revenue from events such as the annual spring luncheon, the annual meeting held in the fall and other such events.

Functional Expenses - The accompanying consolidated statement of functional expenses include the sum of direct expenditures of the programs and supporting services. Expenditures that benefit more than one activity are allocated based on an analysis of personnel time and space utilized for the related activities. Management periodically revises its allocation based on changing programs and conditions.

Income Taxes - The Internal Revenue Service has determined that Jewish Family Service and Affiliates are exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code because the Agency qualifies as an organization included within Section 501(c)(3) of the Internal Revenue Code.

In June 2006, Financial Accounting Standards Board issued Financial Interpretation No. (FIN) 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109 *Accounting for Income Taxes*. In December 2008, FASB Staff Position (FSP) No. FIN 48-3 deferred the effective date for nonpublic enterprises to the beginning of an entity's first fiscal year beginning after December 15, 2008, with early adoption permitted.

The Agency has elected to defer the provisions of FIN 48 under the provisions of FSP FIN 48-3. The Agency uses SFAS 5, *Accounting for Contingencies* approach for evaluating uncertain tax positions, if any. This is accomplished, in part, by evaluating expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Agency is currently evaluating if FIN 48, once effective, will impact the consolidated financial statements.

Reclassifications - Certain amounts from the prior year statements have been reclassified to conform to the current year presentation. Such reclassifications do not affect the total net change in assets for the year ended June 30, 2008.

Subsequent Events - The Agency has evaluated events that have occurred through November 18, 2009. This is the date that the financial statements were available to be issued, and has recognized the effects of those subsequent events, if any, as required by Statement of Financial Accounting Standards No. 165, *Subsequent Events*.

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 2 - Investments and Investment Return

The carrying value of the major investment types at June 30 is as follows:

	<u>2009</u>	<u>2008</u>
Investments		
Corporate bonds and debt securities	\$ 3,371,803	\$ 3,546,536
Common stock	2,860,701	3,841,377
International equities	1,228,140	2,250,377
Money market funds	1,641,874	56,164
	<u>\$ 9,102,518</u>	<u>\$ 9,694,454</u>

Investment returns for the years ended June 30 consist of:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 467,744	\$ 423,400
Realized gains (losses) on investments	(976,902)	165,619
Unrealized gains (losses) on investments	(753,196)	(789,632)
	<u>\$ (1,262,354)</u>	<u>\$ (200,613)</u>

Note 3 - Pledges Receivable

Pledges receivable at June 30, 2009 are expected to be received as follows:

Within one year	\$ 3,093,823
Between two and five years	7,849,823
Thereafter	5,129,265
	<u>16,072,911</u>
Less:	
Allowance for uncollectible pledges	(887,066)
Discount to present value (Between 3.1% to 5.6%)	(2,287,208)
Total pledges receivable	<u>\$ 12,898,637</u>

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 4 - Other Receivables

Receivables at June 30 are as follows:

	2009	2008
Jewish Federation	\$ 477,800	\$ 535,300
Client service fees	371,165	293,895
Government contracts	319,634	313,642
Loans from clients	17,247	16,990
Other	17,434	56,960
	1,203,280	1,216,787
Less: allowance for uncollectible accounts	(64,000)	(91,634)
	\$ 1,139,280	\$ 1,125,153

Note 5 - Property and Equipment

Property and equipment at June 30 are as follows:

	2009	2008
Land	\$ 520,000	\$ 520,000
Buildings and improvements	2,491,146	2,490,402
Equipment	534,423	413,585
Predevelopment costs	178,469	133,515
	3,724,038	3,557,502
Less: accumulated depreciation	(1,279,864)	(1,038,362)
	\$ 2,444,174	\$ 2,519,140

Note 6 - Line of Credit

The Agency has as unsecured revolving line of credit from Bank of America in the amount of \$100,000 for short-term direct borrowings, which renews annually in May. The line of credit allows for advances at a variable interest rate, based on the Prime rate plus 200 basis points. There were no borrowings on the line of credit as of June 30, 2009. At June 30, 2008, outstanding borrowings were \$58,000 at an interest rate of 7.0%.

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 7 - Commitments

The Agency leases office facilities and office equipment under non-cancelable operating lease agreements which extend through January 2014. The agreements for the office facilities require the Agency to pay common area expenses and utilities associated with the leased property. In addition, the Agency maintains month to month leases primarily for storage purposes. Future minimum non-cancelable lease payments, net of rental income, for years ending June 30, 2009 are as follows:

2010	\$	85,795
2011		39,375
2012		20,923
2013		18,074
2014		12,136
		<u>176,303</u>
	\$	<u>176,303</u>

Rental expense under non-cancelable and month to month leases was \$217,000 and \$208,000 for 2009 and 2008.

Note 8 - Pension Plans

The Agency has a defined contribution pension plan under Section 401 (a) of the Internal Revenue Code covering all employees who are at least 21 years of age with one year of service, including any prior service. The non-contributory plan provides for annual employer contributions equal to 5% of covered participant's compensation. Participants vest in 50% of employer contributions after two years of service and 100% of employer contributions after three years of service. During fiscal year 2009, the Agency suspended contributions to the plan for the last fiscal quarter. Total pension contributions by the Agency for the years ended June 30, 2009 and 2008 was \$160,000 and \$164,000.

During fiscal year 2009, the Agency determined that certain pension contributions were not made to current and past employees of the Agency in accordance with the provisions of the plan. The Agency has recorded an obligation related to the original contribution and investment return of \$70,000 for the year ended June 30, 2009.

The agency also offers a tax-deferred savings plan under Section 403 (b), allowing employees to defer a portion of their current earnings into various tax-deferred investment options. The employees own the investments, but withdrawals are subject to various restrictions.

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 9 - Unrestricted, Temporarily and Permanently Restricted Net Assets

Unrestricted net assets include all assets (including property and equipment), liabilities, support, revenue and expenses which are not restricted by donors and available for current operations.

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

	2009	2008
Restricted to program activities		
Jewish Family Service		
Facilities and other capital projects	\$ 4,244,174	\$ 2,633,113
Children's services	175,000	-
Domestic violence	139,954	187,533
Substance abuse program	116,000	133,866
Food bank and emergency services	160,720	90,378
Counseling	77,000	
	4,912,848	3,044,890
Restricted to time		
Jewish Family Service		
Funds restricted to future fiscal years	9,601,979	9,108,512
Jewish Federation grant	404,400	449,300
	10,006,379	9,557,812
Seattle Association for Jews with Disabilities		
Jewish Federation grant	77,400	86,000
	10,083,779	9,643,812
Total temporarily restricted net assets	\$ 14,996,627	\$ 12,688,702

Permanently Restricted Net Assets - Effective July 2008, the Agency adopted the provisions of FSP 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosure for All Endowment Funds." FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the 2006 UPMIFA and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds. Washington State allowed early adoption of UPMIFA. The Agency has chosen to adopt the provisions of UPMIFA effective for the fiscal year ended June 30, 2009.

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 9 - Unrestricted, Temporarily and Permanently Restricted Net Assets (Continued)

In accordance with Generally Accepted Accounting Principles and UPMIFA, investment earnings on permanently restricted net assets, including realized and unrealized capital gains, are classified as temporarily restricted net assets until they are appropriated for distribution to the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Agency's permanently restricted net assets consist of several endowment funds established for a variety of purposes including the general operations of the Agency and specific program purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors has interpreted UPMIFA as requiring 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 Agency classifies as permanently restricted net assets, the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and 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 Agency in a manner consistent with the prudence prescribed by UPMIFA.

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 Agency to retain as a fund of perpetual duration. Deficiencies of this nature reported in unrestricted net assets were \$589,000 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 9 - Unrestricted, Temporarily and Permanently Restricted Net Assets (Continued)

Changes in endowment net assets for the years ended June 30, 2009 and 2008 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2007	\$ 1,647,004	\$ -	\$ 6,196,394	\$ 7,843,398
Contributions	-	-	322,055	322,055
Investment return:				-
Interest and dividends	263,576	-	-	263,576
Realized and unrealized gains and losses	(573,670)	-	-	(573,670)
Total investment return	<u>(310,094)</u>	<u>-</u>	<u>-</u>	<u>(310,094)</u>
Endowment net assets, June 30, 2008	1,336,910	-	6,518,449	7,855,359
Net assets reclassified based on change in law	<u>(589,530)</u>	<u>-</u>	<u>589,530</u>	<u>-</u>
Net assets after reclassification	<u>747,380</u>	<u>-</u>	<u>7,107,979</u>	<u>7,855,359</u>
Contributions			161,632	161,632
Investment return:				
Interest and dividends	260,906	-	-	260,906
Realized and unrealized gains and losses	(1,597,247)	-	-	(1,597,247)
Total investment return	<u>(1,336,341)</u>	<u>-</u>	<u>-</u>	<u>(1,336,341)</u>
Endowment net assets, June 30, 2009	<u>\$ (588,961)</u>	<u>\$ -</u>	<u>\$ 7,269,611</u>	<u>\$ 6,680,650</u>

Note 10 - Endowment Policies

The Agency has adopted investment and spending policies for endowment assets that attempt to provide consistency of return, preservation of capital and to mitigate risk within the confines of the specific portfolio to generate funds to the support the Agency. The endowment assets are donated to provide current and future support for specific programs, capital investments, working capital or other needs of the Agency by providing a stable income stream to fund the Agency's programs and are managed as long term investments.

The following are the significant components of the Agency's endowment investment policy:

Investment Guidelines - The Agency desires an endowment investment performance that should be measured over a five-year period, and should achieve a minimum total return of 3% above the US Consumer Price Index and be invested to minimize the likelihood of negative total returns, defined as a one year total return worse than negative 5%.

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 10 - Endowment Policies (Continued)

The Agency recognizes that risk (i.e., the uncertainty of future of events), volatility (i.e., the potential for variability of asset values), and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, the assumption of some risk is warranted in order to allow the opportunity to achieve satisfactory long term results consistent with the objectives of the Agency.

Portfolio Assets - All assets selected for the portfolio must have a readily ascertainable market value.

- Equity securities include common stocks, American Depository Receipts (ADRs), and may be selected from the New York, American Stock Exchanges and Over-the-Counter markets.
- Fixed Income securities may be comprised of obligations to the United States Government and its fully guaranteed agencies, foreign bonds, corporate bonds, inflation hedged variable rate bonds, and notes. Tax free municipal securities are inappropriate for this portfolio. All debt instruments must carry an investment grade and the portfolio should target an average credit rating of “A” by S&P or higher. The maximum maturity of any issue shall be 5 years.
- Cash and cash equivalents may be invested in commercial paper, re-purchase agreements, U.S. Treasury Bills, money market funds and certificates of deposit.
- Disallowed Assets: The Manager is prohibited from investing in commodities, unregistered letter stock, warrants, purchase of equity securities on margin, selling short, real estate mortgages, all options and futures or other specialized investment activities. Agency assets should not be invested in speculative securities.
- Investment assets not specifically addressed by the guidelines are forbidden without the Agency’s written consent, by the Board of Directors or a committee designated by the Board to oversee the investment portfolios of the Agency.

JEWISH FAMILY SERVICE AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009, AND 2008

Note 10 - Endowment Policies (Continued)

Asset Allocation - The Agency uses the following minimum and maximum ranges to determine asset allocation decisions within the stock, bond and cash markets. The portfolio is rebalanced in order to meet these ranges.

	<u>Between</u>	
Cash	0%	30%
Bonds and fixed income securities	20%	50%
Total equity securities	45%	75%
Domestic small and mid cap equity securities	0%	20%
International equity securities	0%	20%
Emerging market equity securities	0%	5%
International mid cap equity securities	0%	5%

Diversification - The equity portfolio should be well diversified to avoid undue exposure to any single economic sector, industry group, or individual security. No more than 6% of the investment portfolio shall be invested in any individual company.

Loans and Margin Investing - Margin loans are not to be used as a tool to manage the return of the portfolio. Margin loans equal to no more than \$200,000 of the portfolio may be used on a temporary basis to accommodate the cash needs of the Agency and in no case should a margin loan be carried for more than 60 consecutive days or 120 days in the year.

Distribution of Funds from Investments - The intent of the endowment investment assets are to distribute funds at a steady and a stable rate independent of market cycles.

For the JFS endowment investment assets, a fixed percentage of the market value at the beginning of the fiscal year should be made available to the Agency by distributing it over the course of the year unless the Board of Directors, or a committee delegated to perform the function, decides that it is not necessary. That percentage should be a number that represents the Agency's estimate of the long term real rate of return expected from the endowment investments. Unless and until otherwise determined by the Board of Directors, or a committee, that percentage shall be 4% for the JFS endowment investment assets.

The Board of Directors of the SAJD Foundation shall determine annually a specific distribution amount of the endowment investment assets to be used for the benefit of the SAJD programs.

Investment Performance Review and Evaluation - Performance results for the endowment investment assets will be measured on a quarterly basis. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines set forth by the investment policy. The Agency should do a formal review of the investment policy at least once every four years.

SUPPLEMENTAL INFORMATION

JEWISH FAMILY SERVICE AND AFFILIATES
CONSOLIDATING BALANCE SHEET
JUNE 30, 2009

ASSETS	Jewish Family Service	Seattle Association for Jews with Disabilities	Seattle Association for Jews with Disabilities Supporting Foundation	Eliminating Entries	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,216,072	\$ 35,494	\$ -	\$ -	\$ 1,251,566
Accrued interest receivable	66,483	-	25,405	-	91,888
Current pledge receivables, net	2,807,800	-	-	-	2,807,800
Other receivables, net	1,202,830	153,981	-	(217,531)	1,139,280
Prepaid expenses	23,698	6,755	-	-	30,453
Total current assets	<u>5,316,883</u>	<u>196,230</u>	<u>25,405</u>	<u>(217,531)</u>	<u>5,320,987</u>
INVESTMENTS	6,611,422	-	2,491,096	-	9,102,518
LONG-TERM PLEDGES RECEIVABLE, net	10,090,837	-	-	-	10,090,837
PROPERTY AND EQUIPMENT, net	2,095,265	348,909	-	-	2,444,174
	<u>\$ 24,114,407</u>	<u>\$ 545,139</u>	<u>\$ 2,516,501</u>	<u>\$ (217,531)</u>	<u>\$ 26,958,516</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 219,553	\$ 186,196	\$ 42,512	\$ (217,531)	\$ 230,730
Accrued compensation expenses	421,928	42,760	-	-	464,688
Total liabilities	<u>641,481</u>	<u>228,956</u>	<u>42,512</u>	<u>(217,531)</u>	<u>695,418</u>
NET ASSETS					
Unrestricted					
Undesignated	1,679,919	(110,126)	(17,107)	-	1,552,686
Net investment in property and equipment	2,095,265	348,909	-	-	2,444,174
Total unrestricted	<u>3,775,184</u>	<u>238,783</u>	<u>(17,107)</u>	<u>-</u>	<u>3,996,860</u>
Temporarily restricted	14,919,227	77,400	-	-	14,996,627
Permanently restricted	4,778,515	-	2,491,096	-	7,269,611
Total net assets	<u>23,472,926</u>	<u>316,183</u>	<u>2,473,989</u>	<u>-</u>	<u>26,263,098</u>
	<u>\$ 24,114,407</u>	<u>\$ 545,139</u>	<u>\$ 2,516,501</u>	<u>\$ (217,531)</u>	<u>\$ 26,958,516</u>

JEWISH FAMILY SERVICE AND AFFILIATES
CONSOLIDATING STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS
YEAR ENDED JUNE 30, 2009

	Jewish Family Service	Seattle Association for Jews with Disabilities	Seattle Association for Jews with Disabilities Supporting Foundation	Eliminating Entries	Total
CHANGES IN UNRESTRICTED NET ASSETS					
Support and revenue					
Support					
Contributions	\$ 1,090,886	\$ 208,242	\$ -	\$ (175,000)	\$ 1,124,128
Special events	542,907	-	-	-	542,907
Hebrew Immigrant Aid Society	255,182	-	-	-	255,182
Jewish Federation of Greater Seattle	-	-	-	-	-
United Way of King County	140,138	12,863	-	-	153,001
Total support	<u>2,029,113</u>	<u>221,105</u>	<u>-</u>	<u>(175,000)</u>	<u>2,075,218</u>
Revenue					
Home care service fees	2,004,911	-	-	-	2,004,911
Governmental fee income	887,040	-	-	-	887,040
Client service fees	233,549	243,148	-	-	476,697
Investment return	(674,025)	705	(589,034)	-	(1,262,354)
Other	-	-	-	-	-
Total revenue	<u>2,451,475</u>	<u>243,853</u>	<u>(589,034)</u>	<u>-</u>	<u>2,106,294</u>
Net assets released from restrictions	66,822	86,000	-	-	152,822
Total support and revenue	<u>4,547,410</u>	<u>550,958</u>	<u>(589,034)</u>	<u>(175,000)</u>	<u>4,334,334</u>
Expenses					
Program services	5,854,479	826,382	175,000	(175,000)	6,680,861
Supporting services	1,806,804	-	-	-	1,806,804
Total expenses	<u>7,661,283</u>	<u>826,382</u>	<u>175,000</u>	<u>(175,000)</u>	<u>8,487,665</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY	<u>(3,113,873)</u>	<u>(275,424)</u>	<u>(764,034)</u>	<u>-</u>	<u>(4,153,331)</u>
NON-OPERATING ACTIVITY					
Family Matters - contributions	140,447	-	-	-	140,447
Family Matters - expenses	(306,959)	-	-	-	(306,959)
Total non-operating activity	<u>(166,512)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(166,512)</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>\$ (3,280,385)</u>	<u>\$ (275,424)</u>	<u>\$ (764,034)</u>	<u>\$ -</u>	<u>\$ (4,319,843)</u>