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To the Audit Committee of
Jewish Family Services of Greater Hartford, Inc.

We have audited the consolidated financial statements of Jewish Family Services of Greater Hartford, Inc. (the "Agency") for the year ended June 30, 2018, and have issued our report thereon dated January 10, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated August 20, 2018. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Jewish Family Services of Greater Hartford, Inc. are described in Note 2 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

> Management's estimate of the contractual adjustment for its receivables, their estimate for the allowance for doubtful accounts, and their estimate for depreciation expense. The contractual adjustment is based upon comparing what was billed to insurance providers, Medicare and Medicaid, and what was actually paid by them. The allowance for doubtful accounts is based upon the collectability of the insurance billings, and the depreciation expense is based upon the estimate of the useful lives being depreciated. We evaluated the key factors and assumptions used to develop the contractual adjustment, allowance for doubtful accounts and depreciation expense in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the consolidated financial statements was:

> The disclosure of Funds Held in Trust in Note 4 to the consolidated financial statements. These investments are held for the benefit of Jewish Family Services of Greater Hartford, Inc. by the Jewish Community Foundation of Greater Hartford, Inc.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the consolidated financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 10, 2019.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

We want to bring the following matters to your attention:

**1. <u>Information Technology/Cybersecurity:</u>**

As part of the annual audit process, an inquiry of information technology ("IT") general controls was performed. We recommend the following actions:

1. Create and implement a formal Written Information Security Program ("WISP"), designate a staff member in charge of said program, and continuously develop and review existing policies and procedures annually.
2. Test the formal Disaster Recovery Plan ("DRP") and Business Continuity Plan ("BCP"). These will assist you in the event of a natural disaster – or, in recovering from a ransomware attack. These procedures should be reviewed and updated annually as well as approved by the Audit Committee and/or Board of Directors.
3. Ensure your team is trained, and their training is documented. Simulated phishing campaigns and internal newsletters are great ways to keep staff vigilant, and reinforce their responsibilities as outlined in an Acceptable Use Policy- which should require sign-off at least upon hire, if not annually.
4. There are numerous service organizations used throughout the year. While the payroll vendors' service organization ("SOC1") reports are being reviewed, we suggest that all SOC1 reports should be obtained and reviewed on an annual basis, including the accounting system.
5. Review the Agency and any entity servicing the Agency's cybersecurity insurance coverage against the exposure of related situations.

2. **<u>Upcoming Changes for Not-For-Profit Organization Financial Statements:</u>**

Effective for your fiscal 2019 year-end, some changes in your year-end financial statements will be required. These changes are designed to more clearly indicate your organization's financial position as a result of a recent Financial Accounting Standards Board Accounting Standards Update ("FASB ASU"). The changes prescribed in Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14) will affect substantially all NFPs, provide more relevant information about their resources and the changes in those resources to donors, grantors, creditors, and other financial statement users. The following is a brief overview. We will be working with management to implement the changes prior to issuance of next year's financial statements.

- **Net Asset Classification:** The new guidance will require your financial statements to present the amount for each of two classes of net assets on the face of the statement of financial position

  - *net assets with donor restrictions*
  - *net assets without donor restrictions*

  The previous categories of temporarily and permanently restricted net assets are no longer presented, but are combined into a single category. To enhance readers' understanding of the donor restrictions, footnote disclosures will be required to include the timing and nature of the restrictions, as well as the composition of net assets with donor restrictions at the end of the period. The disclosures will continue to show an analysis by time, purpose, and perpetual restrictions.
  The new net asset classification will eliminate the option to imply a time restriction on long-lived assets, in favor of releasing the restriction when the asset is placed in service.

- **Underwater Endowments:** As part of the change to classification of net assets, endowments that have a current fair value that is less than the original gift amount (or amount required to be retained by donor or by law), known as underwater endowments, will now be classified in net assets with donor restrictions, instead of the current classification in unrestricted net assets. Expanded disclosures will be required to include the following information:

  - The original amount of the endowment
  - Your organization's policy relating to spending from these funds
  - Whether that policy was followed

- **Board-designated Net Assets:** At times, an entity's governing board may make designations or appropriations that result in self-imposed limits on the use of resources without donor restrictions, known as board-designated net assets; enhanced disclosure information will be required on the amounts and purposes of these designations. In addition, the placed-in-service approach will be required when releasing restrictions related to long-lived assets. The option to imply a time restriction and release the restriction over an asset's useful life will no longer be permitted.

- **Information about Liquidity:** All not-for-profit entities will be required to disclose both quantitative and qualitative information about the availability of and how your organization manages its liquid available resource to meet cash needs for general expenditures within one year of the balance sheet date. The goal of this change is to improve the ability of financial statement users to assess your available financial resources and the liquidity of those resources.

- **Presenting Expenses:** To make information about expenses more comparable and useful, all not-for-profit entities will be required to provide information about their operating expenses by both nature and function—on the face of the statement of activities, as a separate statement, or in the notes to the financial statements., supplemented with enhanced disclosures about the methods used to allocate costs among functions.

- **Investment Return:** A net presentation of investment expenses against investment return will be required on the face of the statement of activities. External and direct internal investment expenses will be netted against the investment return. Disclosing the components of investment expense will no longer be required.

- **Statement of Cash Flows:** Not-for-profits can continue to present either the direct or indirect method of reporting operating cash flows. However, the presentation or disclosure of the indirect method reconciliation is no longer required if the entity uses the direct method.

This information is intended solely for the use of the Audit Committee, Board of Directors, Management and others of Jewish Family Services of Greater Hartford, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Whittlesey PC

Hartford, Connecticut
January 10, 2019