

MANAGEMENT LETTER

To the Board of Directors of
Jewish Children's Regional Service

In planning and performing our audit of the financial statements of Jewish Children's Regional Service (JCRS) as of and for the year ended July 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered JCRS's internal control over financial reporting (internal control) as a basis for designing auditing 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 JCRS's internal control. Accordingly, we do not express an opinion of the effectiveness of JCRS's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 29, 2020, on the financial statements of Jewish Children's Regional Service.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various JCRS personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Improve the Accounting for and Reporting of Investment Transactions

During our audit procedures over investments, we noted that changes in investment accounts were being recorded in contra accounts on the statement of financial position. The appropriate accounting for these transactions would be to recognize investment gains and losses, dividends and interest earned, and investment fees in changes in net assets. We recommend that management develop accounting policies that ensure U.S. generally accepted accounting principles related to the recording of investment activity is followed. If preferable, management could elect to separate the accounting for endowment transactions by segregating the accounting records and consolidating them for joint reporting purposes.

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Add Gift Cards as an Asset in the Accounting Records

In the performance of our fieldwork, we noted that management considers gift cards that are purchased as Hanukkah gifts to be a significant asset and has implemented controls to ensure gift cards are appropriately safeguarded such as keeping a detailed manifest and securing the gift cards in a dual keyed safe. We also noted, however, that gift cards are not recorded as assets in the accounting records. We recommend that gift cards be added to the balance sheet when purchased and reduced when sent to recipients. Regular inventories of gift cards should continue, and adjustments required to be made to the accounting records should be investigated.

Improve Accounting and Reporting Related to Net Assets with Donor Restrictions

JCRS' endowment funds are majorly accounted for through the use of "legacy funds" which allow JCRS to attribute funds to certain donors and track the increases and reductions of those funds separately. However, when both restricted and unrestricted net assets are available to fund expenditures of the Organization, restricted funds are expended first. Therefore, an allocation of indirect expenditures is appropriate to be charged to the restrictions inherent in the legacy funds. This has caused some confusion into which net assets restrictions have expired and which restrictions exist at JCRS fiscal year-end. We recommend that JCRS clarify its accounting policies to follow generally accepted accounting policies for restrictions through the use of separate fund tracking and restriction tracking.

Additionally, in our testing of revenues, we noted that certain contributions that were not added to the endowment, yet were restricted towards a certain purpose, were not separated as restricted revenues. In other cases, contributions that did not appear to have restrictions were recorded to a specific fund, as if they were restricted for that purpose. In order to facilitate accurate reporting, we recommend that a distinction be made between donor restricted contributions and unrestricted contributions when they are received.

Store Backup Computer Files Off Site

During our audit, we noticed that some backup files of the IT system were stored on-site. One of the main reasons for creating backup files is to be able to recover information in the event of a disaster, such as fire or water damage. Storing the backup files on-site negates that purpose. We recommend JCRS research off-site storage options for all computer files.

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Develop an Information Technology Disaster Recovery Plan

JCRS does not have well-defined, written IT and disaster recovery procedures. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing IT facilities. We recommend that management develop a disaster recovery plan that includes, but is not limited to, the following matters: Location of, and access to, off-site storage, a listing of all data files that would have to be obtained from the off-site storage location, responsibilities of various personnel in an emergency, and priority of critical applications and reporting requirements during the emergency period.

This information is intended solely for the use of the Board of Directors and Management of Jewish Children's Regional Service and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants