

JEWISH FEDERATION OF SILICON VALLEY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

WITH

INDEPENDENT AUDITORS' REPORT

JEWISH FEDERATION OF SILICON VALLEY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Jewish Federation of Silicon Valley
Los Gatos, California

We have audited the accompanying statement of financial position of Jewish Federation of Silicon Valley as of June 30, 2012, and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Jewish Federation of Silicon Valley's 2011 financial statements and in our report dated November 28, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Federation of Silicon Valley at June 30, 2012, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Johanson & Yau
Accountancy Corporation*

November 21, 2012

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JEWISH FEDERATION OF SILICON VALLEY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(With Comparative Totals as of June 30, 2011)

ASSETS

	2012	2011*
Current assets		
Cash	\$ 3,084,563	\$ 1,704,966
Marketable securities - Note 5	3,893,324	4,404,395
Pledges receivable, net of allowance for doubtful pledges of \$119,096 - Note 3	1,023,943	975,383
Other receivables	62,708	142,574
Loan receivable, current maturities - Note 4	16,081	-
Deposits	15,309	15,309
Prepaid expenses	1,000	8,205
Total current assets	8,096,928	7,250,832
Property and equipment, net - Note 6	18,866,089	19,423,480
Loan receivable, less current maturities - Note 4	834,823	459,372
	\$ 27,797,840	\$ 27,133,684

See accompanying notes to financial statements

* Derived from 2011 audited financial statements

JEWISH FEDERATION OF SILICON VALLEY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(With Comparative Totals as of June 30, 2011)

LIABILITIES AND NET ASSETS

	2012	2011*
Current liabilities		
Accounts payable and accrued expenses	\$ 238,410	\$ 161,587
Allocations payable from campaign	67,923	48,369
Loans payable, current maturities - Note 8	123,617	100,000
Endowment held for another organization	49,068	-
Donor designated funds payable	1,492	23,643
Total current liabilities	480,510	333,599
 Loans payable, less current maturities - Note 8	 2,524,466	 1,575,000
	3,004,976	1,908,599
Net assets		
Unrestricted - Note 9	20,513,214	20,966,291
Temporarily restricted - Note 10	1,977,647	1,826,068
Permanently restricted - Note 10	2,302,003	2,432,726
	24,792,864	25,225,085
	\$ 27,797,840	\$ 27,133,684

See accompanying notes to financial statements

* Derived from 2011 audited financial statements

JEWISH FEDERATION OF SILICON VALLEY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(With Comparative Totals For The Year Ended June 30, 2011)

	2012			2011*	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues and support from operations					
Service revenue:					
Levy Family Campus occupancy revenue	\$ 2,999,131	\$ -	\$ -	\$ 2,999,131	\$ 3,111,559
Investment income					
Dividend and interest	54,167	3,592	64,645	122,404	130,715
Realized gains	100,376	11,889	212,092	324,357	215,554
Unrealized loss	(123,201)	(13,527)	(243,495)	(380,223)	441,513
JValley.news advertising and subscriptions	58,481	-	-	58,481	66,125
Program revenue	86,292	-	-	86,292	76,840
Total service revenue	3,175,246	1,954	33,242	3,210,442	4,042,306
Public support	256,018	1,738,671	-	1,994,689	2,174,351
	3,431,264	1,740,625	33,242	5,205,131	6,216,657
Satisfaction of restriction	1,753,011	(1,589,046)	(163,965)	-	-
Total support and revenue (loss)	5,184,275	151,579	(130,723)	5,205,131	6,216,657
Operating expenses					
Supporting services:					
General and administrative	329,649	-	-	329,649	351,093
Fundraising costs	316,742	-	-	316,742	259,234
Total supporting services	646,391	-	-	646,391	610,327
Program services:					
Allocations to beneficiary agencies	2,615,000	-	-	2,615,000	3,118,117
Other programs	2,375,961	-	-	2,375,961	2,376,647
Total program services	4,990,961	-	-	4,990,961	5,494,764
Total support service and program services	5,637,352	-	-	5,637,352	6,105,091
Change in net assets	(453,077)	151,579	(130,723)	(432,221)	111,566
Net assets, beginning of year	20,966,291	1,826,068	2,432,726	25,225,085	25,113,519
Net assets, end of year	<u>\$ 20,513,214</u>	<u>\$ 1,977,647</u>	<u>\$ 2,302,003</u>	<u>\$ 24,792,864</u>	<u>\$ 25,225,085</u>

See accompanying notes to financial statements

* Derived from 2011 audited financial statements

JEWISH FEDERATION OF SILICON VALLEY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012
(With Comparative Totals For The Year Ended June 30, 2011)

	2012			2011*	
	Program Services	General and Administrative	Fundraising Costs	Total	Total
Salaries	\$ 533,434	\$ 145,826	\$ 165,293	\$ 844,553	\$ 826,912
Payroll taxes & benefits	142,268	38,892	44,084	225,244	202,894
Total salaries and related expenses	675,702	184,718	209,377	1,069,797	1,029,806
Allocations to beneficiary agencies	2,615,000	-	-	2,615,000	3,118,117
Audit, legal and accounting fees	11,166	22,334	-	33,500	33,500
Insurance	19,951	14,490	-	34,441	36,555
Supplies	58,695	2,267	1,138	62,100	59,885
Telephone	23,482	2,133	-	25,615	34,789
Repair and maintenance	146,469	7,366	-	153,835	85,773
Postage and mailing	12,105	2,108	2,946	17,159	18,064
Meetings	1,573	1,778	2,722	6,073	7,736
Conferences and travel	8,431	8,696	753	17,880	19,810
Computer	420	25,554	618	26,592	13,699
Campaign programs	8,932	841	54,255	64,028	33,412
Miscellaneous	355	4,489	22	4,866	4,739
Outside labor and consulting	14,432	10,985	340	25,757	46,856
Printing and composition	14,927	2,122	5,673	22,722	24,534
Advertising and publicity	3,944	23	11,901	15,868	19,226
Dues and subscriptions	32,174	1,795	20	33,989	35,187
Credit card and bank service fees	9,151	10,634	-	19,785	14,705
Bad debt expense	-	13,328	-	13,328	56,865
Levy Family Campus operations expense	717,436	-	-	717,436	739,714
Investment expenses	-	10,206	26,977	37,183	40,282
Interest expense	62,922	85	-	63,007	57,031
Total expenses before depreciation	4,437,267	325,952	316,742	5,079,961	5,530,295
Depreciation and amortization	553,694	3,697	-	557,391	574,796
Total functional expenses	<u>\$ 4,990,961</u>	<u>\$ 329,649</u>	<u>\$ 316,742</u>	<u>\$ 5,637,352</u>	<u>\$ 6,105,091</u>

See accompanying notes to financial statements

* Derived from 2011 audited financial statements

JEWISH FEDERATION OF SILICON VALLEY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals For The Year Ended June 30, 2011)

	<u>2012</u>	<u>2011*</u>
Cash flows from operating activities		
Change in net assets	\$ (432,221)	\$ 111,566
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	557,391	574,796
Realized and unrealized net (gains) losses on investments	55,866	(657,067)
(Increase) decrease in assets and liabilities		
Pledges receivable	(48,560)	52,458
Other receivables	79,866	(43,110)
Prepaid and deposits	7,205	33,914
Accounts payable and accrued expenses	76,823	(24,852)
Allocations payable from campaign	19,554	25,925
Donor designated funds payable	(22,151)	(32,586)
Endowment held for another organization	49,068	-
Net cash provided by operating activities	<u>342,841</u>	<u>41,044</u>
Cash flows from investing activities		
Repayments from notes receivable	473,187	179,813
Issuance of notes receivable	(864,719)	(10,920)
Purchase of investments	(3,727,009)	(5,042,027)
Sale of investments	4,182,214	5,003,742
Net cash provided by investing activities	<u>63,673</u>	<u>130,608</u>
Cash flows from financing activities		
Increase in term loan	1,100,000	-
Repayment of debt	(126,917)	(125,000)
Net cash provided by (used for) financing activities	<u>973,083</u>	<u>(125,000)</u>
Net increase in cash	1,379,597	46,652
Cash, beginning of year	<u>1,704,966</u>	<u>1,658,314</u>
Cash, end of year	<u>\$ 3,084,563</u>	<u>\$ 1,704,966</u>
Supplemental cash flow information		
Interest paid during year	<u>\$ 63,007</u>	<u>\$ 57,031</u>

See accompanying notes to financial statements

* Derived from 2011 audited financial statements

JEWISH FEDERATION OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF ACTIVITIES

The Jewish Federation of Silicon Valley (the Federation) was established in 1930 and is a not-for-profit organization dedicated to strengthening and enriching the Jewish community locally, in Israel, and throughout the world. The Federation supports educational, social service and charitable programs that exemplify the Jewish values of K'lal Yisrael (taking responsibility for one another), Tzedakah (charity and righteousness), and Tikkun Olam (repairing the world). The Federation's activities are detailed as follows:

- Fund raising through annual, capital, endowment and campaigns and designated giving.
- Funding and supporting beneficiary agencies and programs which serve Jews in both the local community and throughout the world.
- JValley.news - a periodic local Jewish community newspaper.
- Endowment development - to develop and implement solicitation programs to increase the Endowment Fund.
- Affinity Groups - programs for the Jewish community specifically geared to young families, health care, women, young adults, legal and high tech professionals.
- Community Chaplain - Rabbinic services and counseling for hospitalized and marginalized Jews in the Silicon Valley; the Rabbi also serves as the community liaison to interfaith groups and local public servants.
- Levy Family Campus fund raising, development and operations - efforts are made to ensure the funding and prompt repayment of loans taken to build the facility at 14855 Oka Road, Los Gatos, California as well as overseeing the operations and maintenance of the facility.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Federation follows standards of accounting and financial reporting for not-for-profit organizations as prescribed by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board. The Federation reports its financial position and operational activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets which have restrictive covenants set by the donor.

- Unrestricted net assets are those assets over which the Board of Directors (the Board) has discretionary control in carrying out the operations of the Federation. Under this category, the Federation maintains Philanthropic Funds plus any net assets designated by the Board for specific purposes. The Federation reports as an increase in unrestricted net assets any restricted support received in the same period for which the restrictions are met.

JEWISH FEDERATION OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Temporarily restricted net assets are pledges and unconditional promises which are subject to donor restrictions usually released with the passage of time or a use requirement being met.
- Permanently restricted net assets are those assets which are subject to donor restrictions which never expire nor can ever be removed. Such permanent restrictions generally represent endowments for which the original principal may never be reduced except by investment losses in certain cases.

Revenue recognition - The Federation recognizes public support, as well as program revenue, interest income and JValley.news advertising and subscription revenue on the accrual basis of accounting. Public support is recordable on a net realizable value basis. Program revenue is recognized in the period in which services are provided.

Contributions are recognized when the donor makes an unconditional promise to give. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of donor restrictions and depending on whether the restrictions are met in the current period. Restricted contributions are reported as increases in unrestricted net assets if the restrictions have been met in the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in temporarily or permanently restricted net assets. When the restriction is met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Installments are allowed for campus pledges of \$5,000 or more. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows based upon installment periods as advised by the donor. The discounts on those amounts are computed using current borrowing rates. 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 allowance for doubtful pledges receivable is based upon historical collection experience, age of pledges receivable and current economic conditions that may affect a donor's ability to pay. In addition, specific allowances are provided for any pledge receivable which management determines in its judgment to be impaired beyond the level of general allowance.

JEWISH FEDERATION OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions-in-kind - Donated equipment and other donated goods are recorded at their estimated value at the date of donation. Contributed services, which require a specialized skill and which the Federation would have paid for if not donated, are recorded at the estimated fair value at the time of services rendered. The Federation also receives donated services that do not require specific expertise but which are nonetheless central to the Federation's operations. These contributed services are not reflected in the financial statements.

Cash - Cash consists of deposits with a bank which often exceed federally insured limits.

Investments - Investments in marketable securities with readily determinable fair value and debt securities are stated at market value. Dividends and interest are accrued as earned and recorded as unrestricted revenue unless income is restricted by the donor.

Generally accepted accounting principles establish a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the assets based on market data obtained from sources independent of the Federation. Unobservable inputs reflect the Federation's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets or liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Federation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

JEWISH FEDERATION OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment - Property and equipment are recorded at cost, or if contributed, at the estimated fair value when donated. Depreciation and amortization are computed using the straight-line method over estimated useful lives of three to thirty-five years. Depreciation is recorded as a decrease in unrestricted net assets and the expense is charged to the activity benefiting from the use of the facilities or equipment.

Long-lived assets - The Federation reviews long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No such impairments have been identified to date.

Indirect expense allocations - Indirect expense allocations are based on actual salaries allocated to an applicable program and supporting activity.

Income taxes - The Federation is exempt from federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and similar state provisions and has been determined to be an organization which is not a private foundation.

The Organization's tax filings are subject to audit by various taxing authorities. As of June 30, 2012 the Organization is no longer subject to federal or state examinations by tax authorities for years ended before 2008.

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.

Concentration of credit risk - Financial instruments that potentially subject the Federation to concentration of credit risk consist principally of cash, pledges receivable, grants receivable and investments, and loans payable. Cash is deposited in local reputable banks and marketable securities are in custody with a large financial institution. The credit risk in the pledge and grants receivables are mitigated by the fact that pledges are made by predominately local, repeat donors and are evaluated by the Federation based on personal contact and knowledge of the donors. The credit risk in investments described in Note 5 is mitigated by the fact that the Federation regularly reviews the investments and uses an outside investment manager. The line of credit and majority of loans payable as described in Note 8 are with one reputable financial institution.

JEWISH FEDERATION OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30, 2012:

General Campaign	
2012	\$ 818,552
2011	85,509
2010	11,610
2009	31,086
2008 and prior	<u>85,186</u>
Total General Campaign	1,031,943
Levy Family Campus Campaign	<u>114,634</u>
	1,146,577
Less: discount at 3.75%, based on approximate current borrowing rates	(3,538)
Less: allowance for doubtful accounts	<u>(119,096)</u>
Total pledges receivable	<u><u>\$ 1,023,943</u></u>

NOTE 4 - LOAN RECEIVABLE

During the year the Federation loaned \$860,000 to Yavneh Day School (Yavneh), a beneficiary agency, as part of an overall \$1,200,000 line of credit available to Yavneh. The proceeds were used for working capital and to repay the existing outstanding indebtedness to the Federation of approximately \$460,000. The remaining \$340,000 is available for Yavneh to borrow over the next 4 years. Any unpaid principal balance is due October 2016. The Yavneh board of directors and two other individuals have guaranteed up to \$750,000 of this loan.

Yavneh is required to make monthly principal and interest payments to the Federation on the identical repayment terms as the Federation's obligation to First Republic Bank (see Note 8).

Loan receivable consisted of the following at June 30, 2012:

Yavneh Day School, a beneficiary agency, monthly principal and interest receivable at the rate charged by First Republic Bank on the Federation's long term debt (currently 3.75%), due October 2016.	\$ 850,904
Less current maturities	<u>(16,081)</u>
Long-term maturities	<u><u>\$ 834,823</u></u>

**JEWISH FEDERATION OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 5 - INVESTMENTS IN MARKETABLE SECURITIES

The cost and fair market value of the Federation's investments in marketable securities consisted of the following at June 30, 2012:

	<u>Cost</u>	<u>Fair market Value</u>	<u>Unrealized gains (losses)</u>
Fixed income securities:			
Government obligations	\$ 317,725	\$ 319,466	\$ 1,741
International obligations	1,893	1,726	(167)
Domestic mutual funds	514,953	559,739	44,786
International Mutual Funds	229,500	231,589	2,089
Publicly traded equity securities:			
Consumer discretionary	226,986	279,975	52,989
Consumer staples	106,873	145,984	39,111
Domestic mutual funds	218,203	243,208	25,005
Energy	65,767	71,805	6,038
Financials	197,958	198,476	518
Health care	181,506	214,526	33,020
Industrials	146,679	176,262	29,583
Information technology	271,077	356,695	85,618
International equities	347,797	383,131	35,334
International mutual funds	192,451	170,871	(21,580)
Materials	28,391	39,591	11,200
Real asset funds	248,700	238,918	(9,782)
Real estate investment trusts	26,685	31,541	4,856
Telecommunications	16,285	18,838	2,553
Utilities	23,513	25,207	1,694
Other	200,000	185,776	(14,224)
Total investments	<u><u>\$ 3,562,942</u></u>	<u><u>\$ 3,893,324</u></u>	<u><u>\$ 330,382</u></u>

The fair market value of marketable securities is based upon quoted market prices for identical assets (Level 1 input).

**JEWISH FEDERATION OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 5 - INVESTMENTS IN MARKETABLE SECURITIES (Continued)

Investment gain included in the statement of activities for the year ended June 30, 2012 consisted of the following:

Dividend and interest income	\$	<u>122,404</u>
Net realized gain		324,357
Net unrealized loss		<u>(380,223)</u>
Net realized and unrealized loss on investments		<u>(55,866)</u>
Total investment gain	\$	<u><u>66,538</u></u>

Investment expenses for the year ended June 30, 2012 were \$37,183.

NOTE 6 - PROPERTY AND EQUIPMENT

The components of property and equipment are as follows for the year ended June 30, 2012:

Real estate and improvements:		
Levy Family Campus	\$	18,200,374
Land		4,200,000
Office equipment, furniture and computer software		<u>483,929</u>
		22,884,303
Less: accumulated depreciation and amortization		<u>(4,018,214)</u>
	\$	<u><u>18,866,089</u></u>

NOTE 7 - LEVY FAMILY CAMPUS

The Federation provides and maintains facilities at the Levy Family Campus for the benefit of itself and certain beneficiary agencies. For any occupants who are Jewish not-for-profit agencies, the Federation will not charge rent in excess of common area operating expenses for a minimum of ten years following completion of the campus in 2005. Operating expenses for the property, grounds and management and reasonable reserves are prorated among the Federation and the tenants based on square footage. Total operating expenses collected from tenants was approximately \$1,322,000 for the year ended June 30, 2012. The Federation has recognized \$1,737,588 of rental income for the year ended June 30, 2012 to reflect the market value of reduced rent provided to tenants of the building. This rent is based upon the fair market value of comparable commercial space in the area, and is also reported as additional program service expense in the Statement of Activities.

**JEWISH FEDERATION OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 8 - FINANCING ARRANGEMENTS

Line of credit - The Federation has a line of credit agreement with First Republic Bank (the Bank) to provide working capital. The credit limit is \$1,500,000 with interest at the bank's index rate, but not less than 4% per year (rate was 4% at June 30, 2012). The line is subject to certain financial covenants, all of which were in compliance at the balance sheet date. Borrowings are secured by cash, securities, receivables, real and personal property and by tenant leases. There was no outstanding balance at June 30, 2012.

Letter of credit - The Federation has secured a standby letter of credit with the Bank equal to the outstanding principal amount of the Avi Chai loan (\$75,000 at June 30, 2012). The amount available under the letter of credit is reduced by the payments made on the loan. Interest is charged on any advances at the rate of prime plus 5 percent per year (rate was 8.25% at June 30, 2012). The agreement renews automatically each year until 2013, when the Avi Chai loan is due. There was no outstanding balance at June 30, 2012.

Long-term debt - In October 2011, the Federation borrowed an additional \$1,100,000 under the long term-debt agreement with the Bank resulting in a total loan payable of \$2,600,000. The additional proceeds allowed the Federation to fund the credit agreement with Yavneh disclosed in Note 4.

Long-term debt as of June 30, 2012, is summarized as follows:

Note payable to the Bank, secured by cash, securities, receivables, real and personal property and lease income, monthly payments totalling \$12,132, interest at the bank's rate (currently 3.75%), due October 2016.	\$ 2,573,083
Note payable to Avi Chai Foundation, unsecured, non-interest bearing, quarterly principal payments of \$25,000 each, due 2013.	<u>75,000</u>
	2,648,083
Less current maturities	<u>(123,617)</u>
Long-term maturities	<u><u>\$ 2,524,466</u></u>

**JEWISH FEDERATION OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 8 - FINANCING ARRANGEMENTS (Continued)

Maturities of long-term debt for the next five years are as follows:

Year ended June 30,		
2013	\$	123,617
2014		50,498
2015		52,452
2016		54,230
After 2016		<u>2,367,286</u>
	<u>\$</u>	<u>2,648,083</u>

Total interest incurred under these loans for the year ended June 30, 2012 was \$63,007.

NOTE 9 - BOARD DESIGNATED AMOUNTS

Unrestricted net assets were designated by the Board of Directors for the following programs at June 30, 2012:

Contingency reserve for Levy Family Campus	\$	313,434
Maintenance reserve for Levy Family Campus		686,931
Leadership development		20,851
Silicon Valley Holocaust Survivor Association		42,371
Other (less than \$10,000 each)		<u>14,877</u>
Total	<u>\$</u>	<u>1,078,464</u>

Included in unrestricted net assets at June 30, 2012 was approximately \$1,052,000 of designated Philanthropic Funds.

**JEWISH FEDERATION OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 10 - RESTRICTED NET ASSETS

The Federation's temporarily restricted net assets at June 30, 2012 consisted of:

2012 Annual Campaign	\$ 1,695,654
Endowment for Art Gallery	134,241
Gift of Israel	52,891
2013 Annual Campaign	43,340
Strategic Plan	25,054
2014 Annual Campaign	21,467
Other	<u>5,000</u>
 Total	 <u><u>\$ 1,977,647</u></u>

Net assets released from restrictions according to terms specified by the donor are as follows for the year ended June 30, 2012:

Annual Campaign	\$ 1,589,046
Endowment distributions	<u>163,965</u>
 Total	 <u><u>\$ 1,753,011</u></u>

Permanently restricted net assets are as follows at June 30, 2012:

Mel Cotton Endowment Fund	\$ 1,100,304
Weinberg Endowment for Jewish Family Services	913,060
Lion of Judah Endowment (LOJE)	<u>288,639</u>
 Total	 <u><u>\$ 2,302,003</u></u>

NOTE 11 - RELATED PARTY TRANSACTIONS

The Federation shares some common board members with the Congregation Shir Hadash, Silicon Valley Jewish Film Festival, Congregation Sinai, and Hillel of Silicon Valley. The Federation paid approximately \$114,900 in support to these related entities.

Donations from Federation board members totaled approximately \$110,038 for the year ended June 30, 2012.

JEWISH FEDERATION OF SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Federation has elected to be self insured for California unemployment insurance. Amounts contingently payable under this arrangement are deemed immaterial.

The Federation also agreed to either provide or guarantee a revolving debt facility to the APJCC in the amount of \$500,000 based on current commercial borrowing rates. There was no balance as of June 30, 2012.

The Federation is prohibited from pledging any of its assets on future loan transactions without the permission of its lender, First Republic Bank.

NOTE 13 - RETIREMENT PLANS

The Federation maintains a defined contribution retirement plan covering substantially all employees meeting minimum age and service requirements. The plan allows for discretionary employer contributions up to 7% of eligible compensation. The amount contributed by the Federation for the year ended June 30, 2012 was approximately \$74,000. The Federation also maintains a 401(k) plan which provides for employee contributions without matching contributions from the Federation.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events were evaluated through November 21, 2012 the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



JOHANSON & YAU
ACCOUNTANCY CORPORATION

DAVID R. DAVIS
FREDERICK U. LEONARD
SHERYL L. HINSHAW
BYRON J. ISHIWATA
SARA E. KELLEY

ANTHONY S. C. YAU
Of Counsel

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Jewish Federation of Silicon Valley
Los Gatos, California

Our report of the basic financial statements of Jewish Federation of Silicon Valley as of June 30, 2012 and the year then ended appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Johanson & Yau
Accountancy Corporation*

November 21, 2012

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**JEWISH FEDERATION OF SILICON VALLEY
SCHEDULE OF
LEVY FAMILY CAMPUS OPERATIONS
YEAR ENDED JUNE 30, 2012**

Income	
Revenue at fair market value	\$ 1,676,263
CAM reimbursements	1,371,216
Reimbursements paid by the Federation	<u>(48,348)</u>
	<u>2,999,131</u>
Expenses	
Rent reductions as in-kind donation to beneficiary agencies	1,676,263
Security	329,204
Utilities-facilities	280,692
Professional staff salaries	244,824
Employment recruiting	4,994
Repairs and maintenance	144,669
Cleaning	90,980
Supplies	43,490
Telephone	22,853
Insurance	19,951
Property taxes	14,004
Pest control service	2,499
Dues and subscriptions	1,905
Miscellaneous	<u>355</u>
	<u>2,876,683</u>
Total expenses before depreciation	<u>2,876,683</u>
	122,448
Income before depreciation	122,448
	<u>(530,676)</u>
Depreciation and amortization	<u>(530,676)</u>
	<u>\$ (408,228)</u>
Net loss	<u>\$ (408,228)</u>

For the year ended June 30, 2012, the Federation increased the Levy Family Campus maintenance reserve by \$170,631. As of June 30, 2012, the total maintenance reserve balance was \$686,931.