



Jewish Federation

OF SAN DIEGO COUNTY

FINANCIAL STATEMENTS AUDITED

FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jewish Federation of San Diego County
San Diego, California

We have audited the accompanying financial statements of the Jewish Federation of San Diego County (the "Federation", a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Federation of San Diego County as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Financial Statements

The financial statements of the Jewish Federation of San Diego County as of June 30, 2013, were audited by other auditors whose report dated November 21, 2013, expressed an unmodified opinion on those statements.

Lindsay & Brownell, LLP

Lindsay & Brownell, LLP

La Jolla, California
February 19, 2015

JEWISH FEDERATION OF SAN DIEGO COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

ASSETS

	2014				2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Current Assets:</u>								
Cash and cash equivalents	\$ 215,638	\$ 471,990	\$ -	\$ 687,628	\$ 139,240	\$ 315,376	\$ 1,893	\$ 456,509
Investments	6,182,668	-	-	6,182,668	5,610,376	-	-	5,610,376
Pledges receivable, net	2,647,975	80,401	-	2,728,376	2,364,894	75,180	-	2,440,074
Current portion of note receivable	21,905	-	-	21,905	-	-	-	-
Other current assets	1,064	-	-	1,064	8,081	-	-	8,081
Prepaid expenses	10,072	-	-	10,072	7,404	-	-	7,404
Total Current Assets	<u>9,079,322</u>	<u>552,391</u>	<u>-</u>	<u>9,631,713</u>	<u>8,129,995</u>	<u>390,556</u>	<u>1,893</u>	<u>8,522,444</u>
<u>Noncurrent Assets:</u>								
Investments	-	2,291,712	2,500,000	4,791,712	-	2,074,183	2,498,107	4,572,290
Note receivable, less current portion	120,501	-	-	120,501	-	-	-	-
Property & equipment, net	136,344	-	-	136,344	149,175	-	-	149,175
Total Noncurrent Assets	<u>256,845</u>	<u>2,291,712</u>	<u>2,500,000</u>	<u>5,048,557</u>	<u>149,175</u>	<u>2,074,183</u>	<u>2,498,107</u>	<u>4,721,465</u>
TOTAL ASSETS	<u>\$ 9,336,167</u>	<u>\$ 2,844,103</u>	<u>\$ 2,500,000</u>	<u>\$ 14,680,270</u>	<u>\$ 8,279,170</u>	<u>\$ 2,464,739</u>	<u>\$ 2,500,000</u>	<u>\$ 13,243,909</u>

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

JEWISH FEDERATION OF SAN DIEGO COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

LIABILITIES AND NET ASSETS

	2014				2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Current Liabilities:</u>								
Accounts payable and accrued expenses	\$ 313,092	\$ -	\$ -	\$ 313,092	\$ 284,586	\$ -	\$ -	\$ 284,586
Grants payable:								
Jewish Federations of North America allocations	1,102,625	-	-	1,102,625	1,095,630	-	-	1,095,630
Payable to local and national agencies	1,215,290	-	-	1,215,290	1,438,600	500	-	1,439,100
Customized giving allocations payable	-	145,149	-	145,149	-	58,838	-	58,838
Total Current Liabilities	<u>2,631,007</u>	<u>145,149</u>	<u>-</u>	<u>2,776,156</u>	<u>2,818,816</u>	<u>59,338</u>	<u>-</u>	<u>2,878,154</u>
<u>Noncurrent Liabilities:</u>								
Grants payable:								
Payable to local and national agencies	120,000	-	-	120,000	255,000	-	-	255,000
Total Noncurrent Liabilities	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>120,000</u>	<u>255,000</u>	<u>-</u>	<u>-</u>	<u>255,000</u>
Total Liabilities	<u>2,751,007</u>	<u>145,149</u>	<u>-</u>	<u>2,896,156</u>	<u>3,073,816</u>	<u>59,338</u>	<u>-</u>	<u>3,133,154</u>
<u>Net Assets:</u>								
Unrestricted:								
Undesignated	2,491,833	-	-	2,491,833	2,214,360	-	-	2,214,360
Board designated – Quasi endowment	4,093,327	-	-	4,093,327	2,990,994	-	-	2,990,994
Total Unrestricted	<u>6,585,160</u>	<u>-</u>	<u>-</u>	<u>6,585,160</u>	<u>5,205,354</u>	<u>-</u>	<u>-</u>	<u>5,205,354</u>
Temporarily restricted	-	2,698,954	-	2,698,954	-	2,405,401	-	2,405,401
Permanently restricted	-	-	2,500,000	2,500,000	-	-	2,500,000	2,500,000
Total Net Assets	<u>6,585,160</u>	<u>2,698,954</u>	<u>2,500,000</u>	<u>11,784,114</u>	<u>5,205,354</u>	<u>2,405,401</u>	<u>2,500,000</u>	<u>10,110,755</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,336,167</u>	<u>\$ 2,844,103</u>	<u>\$ 2,500,000</u>	<u>\$ 14,680,270</u>	<u>\$ 8,279,170</u>	<u>\$ 2,464,739</u>	<u>\$ 2,500,000</u>	<u>\$ 13,243,909</u>

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

JEWISH FEDERATION OF SAN DIEGO COUNTY

STATEMENTS OF ACTIVITIES

For the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenue and Support:</u>				
Campaign contributions and pledges	\$ 6,161,528	\$ 682,189	\$ -	\$ 6,843,717
Less: Reserve for uncollectible pledges plus recovery of prior year reserve, net	<u>92,344</u>	<u>-</u>	<u>-</u>	<u>92,344</u>
Campaign Revenue, Net	6,253,872	682,189	-	6,936,061
Program revenue	194,184	-	-	194,184
Legacies	659,271	-	-	659,271
Net assets released from restrictions	<u>995,423</u>	<u>(995,423)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>8,102,750</u>	<u>(313,234)</u>	<u>-</u>	<u>7,789,516</u>
<u>Investment Income:</u>				
Interest and dividends	39,753	44,341	-	84,094
Net realized losses	(16,797)	(22,513)	-	(39,310)
Net unrealized gains	462,435	588,854	-	1,051,289
Investment expenses	<u>(4,641)</u>	<u>(3,895)</u>	<u>-</u>	<u>(8,536)</u>
Net Investment Income	480,750	606,787	-	1,087,537
Total Revenue, Support and Net Investment Income	<u>8,583,500</u>	<u>293,553</u>	<u>-</u>	<u>8,877,053</u>
<u>Grants and Expenses:</u>				
Grants:				
Local agencies	1,193,156	-	-	1,193,156
Jewish Federations of North America	857,078	-	-	857,078
Customized giving	714,413	-	-	714,413
Israel and overseas	274,999	-	-	274,999
National agencies	<u>97,500</u>	<u>-</u>	<u>-</u>	<u>97,500</u>
Total Grants	<u>3,137,146</u>	<u>-</u>	<u>-</u>	<u>3,137,146</u>
Program Services	<u>2,457,029</u>	<u>-</u>	<u>-</u>	<u>2,457,029</u>
Supporting Services:				
General and administrative	620,389	-	-	620,389
Fundraising	<u>989,130</u>	<u>-</u>	<u>-</u>	<u>989,130</u>
Total Supporting Services	<u>1,609,519</u>	<u>-</u>	<u>-</u>	<u>1,609,519</u>
Total Grants and Expenses	<u>7,203,694</u>	<u>-</u>	<u>-</u>	<u>7,203,694</u>
Change in Net Assets	1,379,806	293,553	-	1,673,359
Net Assets at Beginning of Year	5,205,354	2,405,401	2,500,000	10,110,755
NET ASSETS AT END OF YEAR	<u>\$ 6,585,160</u>	<u>\$ 2,698,954</u>	<u>\$ 2,500,000</u>	<u>\$ 11,784,114</u>

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

JEWISH FEDERATION OF SAN DIEGO COUNTY

STATEMENTS OF ACTIVITIES

For the year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenue and Support:</u>				
Campaign contributions and pledges	\$ 6,831,650	\$ 784,359	\$ -	\$ 7,616,009
Less: Reserve for uncollectible pledges	(27,273)	-	-	(27,273)
Campaign Revenue, Net	6,804,377	784,359	-	7,588,736
Program revenue	176,702	-	-	176,702
Other revenue	41,730	-	-	41,730
Legacies	587,379	-	-	587,379
Net assets released from restrictions	949,135	(949,135)	-	-
Total Revenue and Support	<u>8,559,323</u>	<u>(164,776)</u>	<u>-</u>	<u>8,394,547</u>
<u>Investment Income:</u>				
Interest and dividends	58,870	91,532	-	150,402
Net realized gains	65,141	123,638	-	188,779
Net unrealized gains	106,557	202,246	-	308,803
Investment expenses	(5,425)	(2,175)	-	(7,600)
Net Investment Income	225,143	415,241	-	640,384
Total Revenue, Support and Net Investment Income	<u>8,784,466</u>	<u>250,465</u>	<u>-</u>	<u>9,034,931</u>
<u>Grants and Expenses:</u>				
Grants:				
Local agencies	1,307,750	-	-	1,307,750
Jewish Federations of North America	991,930	-	-	991,930
Customized giving	1,021,899	-	-	1,021,899
Israel and overseas	230,900	-	-	230,900
National agencies	80,300	-	-	80,300
Total Grants	<u>3,632,779</u>	<u>-</u>	<u>-</u>	<u>3,632,779</u>
Program Services	<u>1,926,954</u>	<u>-</u>	<u>-</u>	<u>1,926,954</u>
Supporting Services:				
General and administrative	710,391	-	-	710,391
Fundraising	1,062,378	-	-	1,062,378
Total Supporting Services	<u>1,772,769</u>	<u>-</u>	<u>-</u>	<u>1,772,769</u>
Total Grants and Expenses	<u>7,332,502</u>	<u>-</u>	<u>-</u>	<u>7,332,502</u>
Changes in Net Assets	1,451,964	250,465	-	1,702,429
Net Assets at Beginning of Year	3,753,390	2,154,936	2,500,000	8,408,326
NET ASSETS AT END OF YEAR	<u>\$ 5,205,354</u>	<u>\$ 2,405,401</u>	<u>\$ 2,500,000</u>	<u>\$ 10,110,755</u>

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

JEWISH FEDERATION OF SAN DIEGO COUNTY

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in net assets	\$ 1,673,359	\$ 1,702,429
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	28,633	37,121
Net realized losses (gains) on investments	39,310	(188,779)
Net unrealized gains on investments	(1,051,289)	(308,803)
(Increase) Decrease in:		
Pledges receivable, net	(288,302)	29,383
Note receivable	(142,406)	-
Other receivables	-	99,505
Other current assets	7,017	18,913
Prepaid expenses	(2,668)	2,775
Increase (Decrease) in:		
Accounts payable and accrued expenses	28,506	(15,604)
Grants payable to Jewish Federation of North America	6,995	49,695
Grants payable to local and national agencies	(358,810)	(101,523)
Grants payable for customized giving allocations	86,311	(66,907)
Net Cash Provided by Operating Activities	<u>26,656</u>	<u>1,258,205</u>
<u>Cash Flows From Investing Activities:</u>		
Purchases of investments	(3,389,404)	(3,422,170)
Proceeds from sales of investments	3,609,669	1,981,673
Purchases of property and equipment	(15,802)	(45,105)
Net Cash Provided by (Used in) Investing Activities	<u>204,463</u>	<u>(1,485,602)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	231,119	(227,397)
Cash and Cash Equivalents at Beginning of Year	<u>456,509</u>	<u>683,906</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 687,628</u>	<u>\$ 456,509</u>

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

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Jewish Federation of San Diego County (“Federation”) is a California not-for-profit organization formed in 1936, and one of 153 Jewish Federations in North America. Supported by thousands of generous donors and volunteers, Federation is dedicated to building a vibrant, caring, connected, and enduring Jewish community.

Federation broadens and deepens engagement in Jewish life to strengthen Jewish identity, foster dynamic connections with Israel, and care for all Jews in need. Federation carries out this mission by mobilizing resources, leaders and organizations to address the community’s most critical needs, creating profound impact locally, in Israel and around the world.

Guided by Jewish values and a quest to be the “Most Welcoming Jewish Community in North America,” Federation focuses on these following mission-driven initiatives:

- **Teens:** Inspire Jewish high school teens to pursue their own Jewish journey locally and in Israel through social, educational, cultural and community service programs; Israel travel incentives; and enhancing the engagement capacity of local organization professionals and volunteers.
- **NextGen:** Connect Jewish young adults to Jewish life in San Diego in collaboration with 15 diverse organizations through community programs; Israel travel through Birthright and Next Gen missions; and development of the next generation of Jewish communal leaders.
- **Aging in Community:** Provide effective, scalable and sustainable services to enable Jewish older adults to live safely and comfortably in their own homes and communities for as long as possible.
- **Shalom SD:** Encourage Jews who are new residents in the area or members of interfaith households to find their own meaningful place amongst the 100 synagogues and communal organizations in the San Diego Jewish community.
- **Israel:** Deepen the connections between the San Diego Jewish community and Israel through people-to-people exchanges, travel and the rewarding two-decade partnership with the Sha’ar HaNegev region and increasing support for Federation’s global partners to care for Jews in need in Israel and around the world.

Accounting Principles

The Federation’s financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds with original maturities of three months or less at the date of acquisition. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Investments

Federation maintains its investments at the Jewish Community Foundation which are invested in investment pools. Federation reports its investments in these pools at fair value based on the fair value of the underlying assets as reported by the fund manager. Investment income, including realized and unrealized gains and losses from these investment pools, are reported in the statement of activities.

Pledges Receivable

Pledges receivable represent a donor's promise to give the Federation and are stated at the amount the Federation expects to collect from outstanding balances. Management determines the reserve for uncollectible pledges by specific identification of delinquent accounts, history of collections, past write-offs, and estimated uncollectible balances. Pledges receivable are written off when deemed uncollectible. The balance at year-end reflects pledges due from donors and is expected to be fully collected within one year. Pledges receivable are stated net of a reserve for uncollectible pledges of \$214,963 and \$496,309 as of June 30, 2014 and 2013, respectively.

Capitalization and Depreciation

The Federation capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, Federation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Federation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Leasehold improvements	5 – 15 years
Office furniture and equipment	3 – 5 years
Computer hardware and software	3 – 10 years

Maintenance and repairs are charged to expense as incurred. Upon sale or disposition of land, buildings or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Grant Expenditures and Grants Payable:

Federation provides grants to partner agencies to support and strengthen Jewish life locally and globally. The grants are approved by the Board of Directors. Grant expenditures are recognized in the period in which the grant is approved and communicated, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the net present value of expected future payments discounted using a risk adjusted rate at each grant date for a commensurate period.

Compensated Absences

Vested and accumulated vacation is recorded as an expense and liability as benefits accrue to employees. The accrued vacation liability totaled \$85,509 and \$109,017 at June 30, 2014 and 2013, respectively, and is included in accounts payable and accrued expenses in the statements of financial position.

Net Assets

Federation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets are not subject to donor-imposed stipulations. The only limits on unrestricted net assets are the broad limits resulting from the nature of the Federation and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

Temporarily Restricted Net Assets

These are net assets resulting from contributions whose use by the Federation is limited by donor imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of the Federation pursuant to those stipulations. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of June 30, 2014 and 2013, the Federation had temporarily restricted assets of \$2,844,103 and \$2,464,739, respectively.

Permanently Restricted Net Assets

These are net assets resulting from contributions and other inflows of assets whose use by the Federation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled by actions of the Federation. The donor-imposed stipulations require that they be maintained permanently by the Federation. The income from these assets is available for either general operations or specific programs as specified by the donor. As of June 30, 2014 and 2013, the Federation had permanently restricted net assets of \$2,500,000 and \$2,500,000, respectively.

The Financial Accounting Standards Board ("FASB") has issued reporting standards for endowments of not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds.

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

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

The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds. (See further disclosure at Note 9.)

Contributions

Contributions are recognized when the donor makes a promise to give to Federation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions to be received in future periods are discounted at a risk-adjusted rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Investments acquired by gift are recorded at fair value on the date of gift. Realized and unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding pledges receivable. The reserve for uncollectible pledges receivable and recoveries and provisions for uncollectible pledges consisted of the following as of and for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Reserve at Beginning of Year	\$ 496,309	\$ 483,285
Provision/Net Recovery for Uncollectible Pledges:		
Provision for current year receivables	19,829	199,019
Recoveries of prior year reserved receivables/reduction of reserve	(112,173)	(171,746)
Total Provision/Net (Recovery)	(92,344)	27,273
Less:		
Write-offs of prior year receivables against allowance	(189,002)	(14,249)
Reserve at End of Year	<u>\$ 214,963</u>	<u>\$ 496,309</u>

Donated Services and Office Facilities

Federation utilized the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2014 and 2013 did not meet the requirements above, therefore no amounts were recognized in the financial statements.

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates developed by management.

Income Taxes

Federation is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code except for taxes on net unrelated business income. Since the Federation has no obligation for unrelated business income tax for the years ended June 30, 2014 and 2013, no provisions for federal or state income taxes have been made.

FASB Accounting Standards Codification (“ASC”) 740, *Accounting for Uncertainty in Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements and prescribes a threshold of more-likely than-not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. The Federation has applied FASB ASC 740 which did not result in the recognition of any unrecognized tax benefits upon adoption and the Federation has no unrecognized tax benefits at June 30, 2014 and 2013. The Federation continues to evaluate changes in tax law and new authoritative rulings.

Generally, the Federation’s Returns of Organizations Exempt from Income Tax are subject to examination by the Internal Revenue Service and state taxing authorities for three and four years, respectively, after the returns are filed. There are no returns under examination as of June 30, 2014.

Risks and Uncertainties

Federation invests in various types of investment pools which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment pools, it is at least reasonably possible that changes in the values of the investment pools will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

The Federation maintains its cash balance at one financial institution which is secured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. Cash and cash equivalent balances in the amounts of \$514,504 and \$259,273 as of June 30, 2014 and 2013, respectively, were not insured by the FDIC. The Federation has not experienced any losses in this account and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

Subsequent Events

Federation has evaluated subsequent events through the date these financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in the financial statements.

Note 2. Analysis of Investments

Federation maintains its investments at the Jewish Community Foundation and in State of Israel Bonds. The funds held at Jewish Community Foundation are invested in investment pools. The Short-Term Pool is a cash equivalent pool that seeks principal preservation by investing in certificates of deposit, securities issued or guaranteed by the U.S. government and other cash equivalents. The Endowment Pool invests 55% in domestic and international equities, 10% in fixed income, 5% in real assets, and 30% in alternative investments consisting of commodities and hedge funds of funds. Investments consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Endowment Pool	\$ 8,885,039	\$ 7,555,920
Short-Term Pool	2,089,341	2,624,746
State of Israel Bonds	-	2,000
Total Investments	<u>\$ 10,974,380</u>	<u>\$ 10,182,666</u>

Statements of Financial Position Classification:

	<u>2014</u>	<u>2013</u>
<u>Current Investments:</u>		
Unrestricted Foundations Fund	\$ 4,093,327	\$ 2,990,994
Operating Fund	2,089,341	2,617,382
State of Israel bonds	-	2,000
Total Current Investments	<u>6,182,668</u>	<u>5,610,376</u>
<u>Noncurrent Investments:</u>		
Sunshine Brooks Fund	2,733,727	2,498,107
Milton and Madeline Goldberg Fund	2,057,985	2,066,824
Endowment Soontup Fund	-	7,359
Total Noncurrent Investments	<u>4,791,712</u>	<u>4,572,290</u>
Total Investments	<u>\$ 10,974,380</u>	<u>\$ 10,182,666</u>

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 2. Investments (Continued)

The following schedule summarizes the Federation's net investment income and its classification in the statements of activities for the years ended June 30:

	2014		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 39,753	\$ 44,341	\$ 84,094
Net realized losses	(16,797)	(22,513)	(39,310)
Net unrealized gains	462,435	588,854	1,051,289
Investment expenses	(4,641)	(3,895)	(8,536)
Total Net Investment Income	<u>\$ 480,750</u>	<u>\$ 606,787</u>	<u>\$ 1,087,537</u>

	2013		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 58,870	\$ 91,532	\$ 150,402
Net realized gains	65,141	123,638	188,779
Net unrealized gains	106,557	202,246	308,803
Investment expenses	(5,425)	(2,175)	(7,600)
Total Net Investment Income	<u>\$ 225,143</u>	<u>\$ 415,241</u>	<u>\$ 640,384</u>

Note 3. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements*, defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The provisions of FASB ASC 820 establish a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that observable inputs be used when available. The three-level hierarchy for fair value measurements is defined as follows:

Level 1 - quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - observable market-based inputs or unobservable inputs that are corroborated by market data. May include quoted prices in a market that is not active.

Level 3 - unobservable inputs that cannot be corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Value Measurements (Continued)

Federation's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments held at Jewish Community Foundation are considered Level 2 and Level 3 assets and are reported at fair value based on the fair value of the underlying assets in the funds as reported by the fund manager, Jewish Community Foundation.
- State of Israel Bonds are considered Level 2 assets and are reported at the face value of the bonds plus accrued interest, which approximates fair value.
- Grants payable are valued at the net present value of expected future cash outflows which approximates fair value and are classified within Level 3 as there is no market for these liabilities.

The following is a summary of the Foundation's assets and liabilities measured at fair value within the fair value hierarchy as of June 30, 2014:

	Assets at Fair Value as of June 30, 2014			
	Unadjusted Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Balance as of June 30, 2014
Investments				
Short-Term Pool				
Operating Fund	\$ -	\$ 2,089,341	\$ -	\$ 2,089,341
Endowment Pool				
Unrestricted Foundations Fund	-	-	4,093,327	4,093,327
Sunshine Brooks Fund	-	-	2,733,727	2,733,727
Milton and Madeline Goldberg Fund	-	-	2,057,985	2,057,985
Total	\$ -	\$ 2,089,341	\$ 8,885,039	\$ 10,974,380

	Liabilities at Fair Value as of June 30, 2014			
	Unadjusted Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Balance as of June 30, 2014
Grants payable, net	\$ -	\$ -	\$ 2,583,064	\$ 2,583,064

JEWISH FEDERATION OF SAN DIEGO COUNTY**NOTES TO FINANCIAL STATEMENTS**

Note 3. Fair Value Measurements (Continued)

The following tables summarize the changes in the Federation's Level 3 assets and liabilities for the year ended June 30, 2014:

	Level 3 Assets For the Year Ended June 30, 2014	
	Endowment Pool	Balance as of June 30, 2014
Beginning balance, July 1, 2013	\$ -	\$ -
Realized and unrealized gains	1,085,217	1,085,217
Purchases and contributions	1,183,897	1,183,897
Sales and distributions	(940,000)	(940,000)
Transfers into Level 3	7,555,925 ^(a)	7,555,925
Ending balance, June 30, 2014	<u>\$ 8,885,039</u>	<u>\$ 8,885,039</u>

(a) Transferred from Level 2 to Level 3 at June 30, 2014 due to related analysis of fund characteristics of underlying assets such as alternative investment redemptions and lock-up periods.

	Level 3 Liabilities For the Year Ended June 30, 2014	
	Grants Payable, Net	Balance as of June 30, 2014
Beginning balance, July 1, 2013	\$ 2,848,568	\$ 2,848,568
Grants awarded	3,776,748	3,776,748
Grants paid	(4,042,252)	(4,042,252)
Transfers in (out) of Level 3	-	-
Ending balance, June 30, 2014	<u>\$ 2,583,064</u>	<u>\$ 2,583,064</u>

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Value Measurements (Continued)

The following is a summary of the Foundation's assets and liabilities measured at fair value within the fair value hierarchy as of June 30, 2013:

	Assets at Fair Value as of June 30, 2013			
	Unadjusted Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Balance as of June 30, 2013
Investments				
Short-Term Pool				
Operating Fund	\$ -	\$ 2,617,382	\$ -	\$ 2,617,382
Endowment Soontup Fund	-	7,359	-	7,359
Endowment Pool				
Unrestricted Foundations Fund	-	2,990,994	-	2,990,994
Sunshine Brooks Fund	-	2,498,107	-	2,498,107
Milton and Madeline Goldberg Fund	-	2,066,824	-	2,066,824
State of Israel Bonds	-	2,000	-	2,000
Total	<u>\$ -</u>	<u>\$ 10,182,666</u>	<u>\$ -</u>	<u>\$ 10,182,666</u>

	Liabilities at Fair Value as of June 30, 2013			
	Unadjusted Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Balance as of June 30, 2013
Grants payable, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,848,568</u>	<u>\$ 2,848,568</u>

The following table summarizes the changes in the Federation's Level 3 liabilities for the year ended June 30, 2013.

	Level 3 Liabilities For the Year Ended June 30, 2013	
	Grants Payable, Net	Balance as of June 30, 2013
Beginning balance, July 1, 2012	\$ 2,967,303	\$ 2,967,303
Grants awarded	3,110,349	3,110,349
Grants paid	(3,229,084)	(3,229,084)
Transfers in (out) of Level 3	-	-
Ending balance, June 30, 2013	<u>\$ 2,848,568</u>	<u>\$ 2,848,568</u>

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 4. Pledges Receivable

Pledges receivable consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Receivables due in less than one year	\$ 2,943,339	\$ 2,936,383
Less: Reserve for uncollectible pledges	(214,963)	(496,309)
Receivables due in less than one year, net	<u>2,728,376</u>	<u>2,440,074</u>
Receivables due in one to five years	-	-
Pledges Receivable, Net	<u>\$ 2,728,376</u>	<u>\$ 2,440,074</u>

Note 5. Notes Receivable

Federation issued a 7 year promissory note for \$147,000 in January 2014 to a related party, UJF Holdings Corp. ("UJF") for the purpose of completing tenant improvements in the office space occupied by Federation and other Jewish community tenants.

	<u>2014</u>	<u>2013</u>
Promissory note with UJF dated January 1, 2014. Interest payments due in quarterly installments at 1.2% per annum beginning January 1, 2014, matures December 1, 2020. UJF to pay thirty-two payments of \$5,476.21 each at quarterly intervals on the first day of each quarter beginning April 1, 2014. Payments will be applied to principal and interest.	\$ 142,406	\$ -
Less: Current Portion	(21,905)	-
Notes Receivable, Less Current Portion	<u>\$ 120,501</u>	<u>\$ -</u>

Interest income of \$879 was recognized during the year ended June 30, 2014. (See further disclosure at Note 12.)

Note 6. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 359,618	\$ 387,223
Office furniture and equipment	182,178	172,656
Computer hardware and software	83,538	49,653
Subtotal	<u>625,334</u>	<u>609,532</u>
Less: Accumulated Depreciation	(488,990)	(460,357)
Total Property and Equipment, Net	<u>\$ 136,344</u>	<u>\$ 149,175</u>

Depreciation expense was \$28,633 and \$37,121 for the years ended June 30, 2014 and 2013, respectively.

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 7. Grants Payable

Grants payable consists of approved grant commitments. Grants payable due in greater than one year are discounted to present value using risk-adjusted rates of return. For the years ended June 30, 2014 and 2013, management determined the discount to be minor and the face value of the grant approximates fair value. Based on the specific grant agreements, amounts payable are expected to be paid in the following years:

Years ending June 30:

2015	\$ 2,463,064
2016	120,000
Thereafter	-
Total	<u>\$ 2,583,064</u>

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose at June 30:

	<u>2014</u>	<u>2013</u>
Milton and Madeline Goldberg Fund	\$ 2,057,985	\$ 2,066,824
Restricted funds to support programs	407,241	338,577
Sunshine Brooks Fund	<u>233,728</u>	-
Total Temporarily Restricted Net Assets	<u>\$ 2,698,954</u>	<u>\$ 2,405,401</u>

The terms of the Milton D. and Madeline L. Goldberg Fund state that the funds must be held as an endowment until January 2017. Income earned on these funds is required to be allocated to the American Jewish Joint Distribution Committee ("JDC"). When the restriction expires, the principal may be used for any purpose consistent with the JDC.

The Hattie H. Brooks Trust distributed \$2.5 million to the Federation in 2000 to be held as a separate fund to be known as the Sunshine Brooks Fund with the income to be used for general operating purposes. (See further disclosure at Note 9.)

Net Assets in the amount of \$995,423 and \$949,135 were released from donor restrictions by incurring expenses and events satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2014 and 2013, respectively.

Note 9. Endowment Net Assets

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Federation's endowment consists of an individual fund with such restrictions.

Federation has interpreted the enacted version of the UPMIFA as requiring the 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, Federation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment (2) the original value of subsequent gifts donated to the permanent endowment (3) accumulations to the permanent endowment made in accordance with the direction

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 9. Endowment Net Assets (Continued)

of applicable donor gift instrument at the time of 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 Federation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of Federation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Federation
7. The investment policies of Federation

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Federation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets totaled \$0 and \$1,893 at June 30, 2014 and 2013, respectively.

Federation has adopted investment and spending policies for endowment funds that:

1. Protect the invested asset
2. Preserve spending capacity of the fund income
3. Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a minimal level
4. Comply with applicable laws

Federation's endowment funds are invested at Jewish Community Foundation in the Endowment Pool which is structured for long-term total return.

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 9. Endowment Net Assets (Continued)

Federation has a policy of appropriating for distribution each year an amount equal to the fair value of the twelve-quarter rolling average of the assets associated with the endowment of the quarter prior to the year end (up to 7% at June 30, 2014 and 2013). In establishing this policy, Federation considered the long-term expected return on its endowment. Over the long-term, Federation expects the current spending policy to allow the endowment to meet the needs of the Federation. This is consistent with Federation’s objectives to balance purchasing power of the endowment assets held in perpetuity, provide additional growth through new gifts and investments returns, as well as provide a funding source for investment in Federation programs and services. Distributions in the amount of \$100,000 (1.8% of twelve-quarter rolling average) and \$290,000 (6.1% of the twelve-quarter rolling average) were made for the years ended June 30, 2014 and 2013, respectively.

Endowment composition by type of fund as of June 30:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted Operations Fund –				
Quasi Endowment	\$ 4,093,327	\$ -	\$ -	\$ 4,093,327
Sunshine Brooks Fund	-	233,728	2,500,000	2,733,728
Total Endowment Funds	<u>\$ 4,093,327</u>	<u>\$ 233,728</u>	<u>\$ 2,500,000</u>	<u>\$ 6,827,055</u>

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted Operations Fund –				
Quasi Endowment	\$ 2,990,994	\$ -	\$ -	\$ 2,990,994
Sunshine Brooks Endowment	(1,893)		2,500,000	2,498,107
Total Endowment Funds	<u>\$ 2,989,101</u>	<u>\$ -</u>	<u>\$ 2,500,000</u>	<u>\$ 5,489,101</u>

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 9. Endowment Net Assets (Continued)

Changes in endowment net assets for the years ended June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets at June 30, 2012	\$ 1,819,614	\$ 50,741	\$ 2,500,000	\$ 4,370,355
Investment return:				
Interest and dividends	53,551	52,322	-	105,873
Net realized and unrealized gains	172,176	187,350	-	359,526
Investment expenses	(4,145)	(413)	-	(4,558)
Total Net Investment Income	221,582	239,259	-	460,841
Board-designated transfers	1,100,405	-	-	1,100,405
Appropriation of endowment net assets	(152,500)	(290,000)	-	(442,500)
Endowment Net Assets at June 30, 2013	2,989,101	-	2,500,000	5,489,101
Investment return:				
Interest and dividends	35,839	24,587	-	60,426
Net realized and unrealized gains	447,555	311,302	-	758,857
Investment expenses	(3,065)	(2,161)	-	(5,226)
Total Net Investment Income	480,329	333,728	-	814,057
Board-designated transfers	623,897	-	-	623,897
Appropriation of endowment net assets	-	(100,000)	-	(100,000)
Endowment Net Assets at June 30, 2014	<u>\$ 4,093,327</u>	<u>\$ 233,728</u>	<u>\$ 2,500,000</u>	<u>\$ 6,827,055</u>

Federation has a beneficial interest in endowment funds held by Jewish Community Foundation (“JCF”). Federation has not recorded this asset in the accompanying financial statements. JCF’s spending policy is to disburse 5% annually, based upon endowment principal market value. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received. Given the recent market declines, many of JCF’s endowment fund distributions have been limited. The distributions are used to further Federation’s mission. Federation received \$143,139 and \$125,046 in distributions for the years ended June 30, 2014 and 2013, respectively. The fair value of the beneficial interest in the JCF totaled \$3,130,700 and \$2,931,208 at June 30, 2014 and 2013, respectively.

JEWISH FEDERATION OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Plan

Federation provides a 403(b) Thrift Plan (the "Plan"), which is administered by Mutual of America. The Plan covers substantially all of Federation's full time employees. Federation made contributions to the Plan for eligible employees equal to the lesser of 50% of the participants' contributions during the Plan year or 1.5% of the participants' eligible compensation through December 31, 2008. Beginning January 1, 2009, Federation made contributions for eligible employees equal to 7% of compensation up to \$30,000 and an additional 4.3% of compensation in excess of \$30,000. Federation's contributions to the Plan totaled \$177,975 and \$128,318 for the years ended June 30, 2014 and 2013, respectively.

Note 11. Analysis of Operating Lease

Federation leases its office facilities from UJF, a related party, and is in the second year of a ten year lease with options for four additional five year terms. Federation paid rent to UJF totaling \$119,207 and \$107,666, utilizing a co-operative cost sharing model for all building tenants for the years ended June 30, 2014 and 2013, respectively. (See Note 12 for further disclosure.)

Future minimum payments under the non-cancelable operating lease as of June 30, 2014 are as follows:

Years ending June 30:

2015	\$ 119,630
2016	122,022
2017	124,463
2018	126,952
2019	129,491
Thereafter	404,221
Total	<u><u>\$ 1,026,779</u></u>

Note 12. Related Party

Three officers of the Federation serve as officers of UJF. The Federation provides support services to UJF and pays UJF for rent. The Federation charged UJF fees of \$59,649 and \$68,944 and paid rent in the amount of \$119,207 and \$107,666 for the years ended June 30, 2014 and 2013, respectively. Amounts (Due To) and Due From UJF as of June 30, 2014 and 2013 amounted to (\$37,946) and \$6,163, respectively. (See Note 5 and Note 11 for further disclosure of related party transactions.)