

JEWISH FEDERATION OF GREATER DALLAS

Financial Statements

**As of and For the Years Ended
July 31, 2011 and 2010**

(With Independent Auditors' Report)



INDEPENDENT AUDITORS' REPORT

Board of Directors
Jewish Federation of Greater Dallas

We have audited the accompanying Statements of Financial Position of the Jewish Federation of Greater Dallas (the Federation) as of July 31, 2011 and 2010, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Federation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in Notes 1 and 9 to the financial statements, the Federation has chosen not to combine the financial statements of one affiliated agency (Northaven Facilities Corporation (NCFC)) as required under Financial Accounting Standards Board Accounting Standards Codification topic *Not-for-Profit Entities Consolidation*. Under accounting principles generally accepted in the United States of America, there is a presumption that combined financial statements provide a more meaningful presentation of results of activities and financial position; however, the accompanying financial statements are not combined due to management's desire to present only the Federation's financial position and activities.

Also as described further in Note 9 to the financial statements, an unconditional promise to donate facility rent to the Federation by NCFC is not reflected in the financial statements of the Federation. Accounting principles generally accepted in the United States of America require that such donations be recorded at the fair value of the donated rent at the date the promise to give was made.

In our opinion, except for the effects of not combining NCFC and excluding the donated rent as discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the Federation as of July 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hartman Leito & Bolt, LLP

February 2, 2012
Dallas, Texas

JEWISH FEDERATION OF GREATER DALLAS
Statements of Financial Position
July 31, 2011 and 2010

	2011	2010
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,772,959	\$ 4,041,939
Investments	15,053	448,197
Pledges receivable, net	4,642,443	5,006,607
Bequest receivable	10,130	500,000
Due from associated agencies and foundations	13,282	29,195
Prepaid expenses	20,151	82,181
Assets held by associated foundation	1,294,825	1,431,404
Interest in net assets of associated foundation	292,389	279,840
Building and equipment, net	1,196,546	1,266,006
Total assets	\$ 13,257,778	\$ 13,085,369
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and other liabilities	\$ 361,218	\$ 316,555
Agency liabilities	548,867	842,329
Allocations payable	6,837,465	7,289,284
Note payable to associated foundation	961,693	975,686
Total liabilities	8,709,243	9,423,854
Commitments and contingencies	-	-
NET ASSETS:		
Unrestricted:		
Undesignated	1,855,139	2,192,275
Board designated	2,337,606	1,176,121
Total unrestricted	4,192,745	3,368,396
Temporarily restricted	355,790	293,119
Total net assets	4,548,535	3,661,515
Total liabilities and net assets	\$ 13,257,778	\$ 13,085,369

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

JEWISH FEDERATION OF GREATER DALLAS
Statements of Activities
For the Years Ended July 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:						
Grants and contributions	\$ 9,176,453	\$ 164,157	\$ 9,340,610	\$ 9,816,052	\$ 172,548	\$ 9,988,600
Special events income	1,281,868	-	1,281,868	206,139	-	206,139
Investment income	122,178	-	122,178	70,583	-	70,583
Provision for losses on uncollectible contributions receivable	(327,568)	-	(327,568)	(272,027)	-	(272,027)
Rent income	40,545	-	40,545	27,365	-	27,365
Change in value of interest in net assets of associated foundation	(26,541)	-	(26,541)	28,035	-	28,035
Net assets released from restrictions	101,486	(101,486)	-	199,850	(199,850)	-
Total revenues and support	10,368,421	62,671	10,431,092	10,075,997	(27,302)	10,048,695
EXPENSES AND DISTRIBUTIONS:						
Program services:						
Community Education	657,940	-	657,940	558,854	-	558,854
Jewish Community Relations Council	457,638	-	457,638	446,623	-	446,623
Missions and leadership	59,780	-	59,780	151,390	-	151,390
Planning and allocations	186,178	-	186,178	169,221	-	169,221
Center for Jewish Education	538,328	-	538,328	550,462	-	550,462
Other	343,857	-	343,857	322,185	-	322,185
Allocations to national, international and local agencies	5,299,460	-	5,299,460	5,955,775	-	5,955,775
Total program services	7,543,181	-	7,543,181	8,154,510	-	8,154,510
Fundraising	1,236,871	-	1,236,871	1,101,059	-	1,101,059
General and administrative	764,020	-	764,020	819,038	-	819,038
Total expenses and distributions	9,544,072	-	9,544,072	10,074,607	-	10,074,607
Change in net assets	824,349	62,671	887,020	1,390	(27,302)	(25,912)
Net assets at beginning of year	3,368,396	293,119	3,661,515	3,367,006	320,421	3,687,427
Net assets at end of year	<u>\$ 4,192,745</u>	<u>\$ 355,790</u>	<u>\$ 4,548,535</u>	<u>\$ 3,368,396</u>	<u>\$ 293,119</u>	<u>\$ 3,661,515</u>

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

JEWISH FEDERATION OF GREATER DALLAS
Statement of Functional Expenses
For the Year Ended July 31, 2011

	Program Services							Total Program Services	Fundraising	General and Administrative	Total
	Community Education	Jewish Community Relations Council	Missions and Leadership	Planning and Allocations	Center for Jewish Education	Shared and Other	Allocations to National, International and Local Agencies				
Salaries	\$ 383,322	\$ 283,134	\$ -	\$ 155,629	\$ 334,217	\$ -	\$ -	\$ 1,156,302	\$ 463,496	\$ 426,085	\$ 2,045,883
Employee benefits	36,326	24,122	-	9,648	21,867	-	-	91,963	43,163	40,502	175,628
Payroll taxes and related	31,501	22,345	-	15,779	25,907	-	-	95,532	38,208	30,483	164,223
Total payroll expenses	451,149	329,601	-	181,056	381,991	-	-	1,343,797	544,867	497,070	2,385,734
Occupancy	-	-	-	440	1,386	152,870	-	154,696	1,053	19,860	175,609
Meetings and conferences	1,636	26,064	12,122	1,356	4,720	32,522	-	78,420	37,929	18,828	135,177
Bank fees and credit card discount fees	-	-	-	-	-	89,853	-	89,853	-	-	89,853
Interest expense	-	-	-	-	-	14,557	-	14,557	-	-	14,557
Equipment and maintenance	56	-	-	-	1,245	-	-	1,301	169	15,329	16,799
Insurance	-	-	-	-	-	3,142	-	3,142	-	14,355	17,497
Travel	-	-	-	-	-	-	-	-	-	-	-
Printing and related	1,361	5,729	-	-	9,178	997	-	17,265	75,673	3,366	96,304
Postage and shipping	333	2,032	190	1	6,060	130	-	8,746	35,622	2,897	47,265
Professional services	9,236	12,116	-	1,473	53,975	43,349	-	120,149	100,320	86,741	307,210
Office supplies and materials	166	859	-	41	2,137	340	-	3,543	6,596	18,820	28,959
Software and licenses	-	-	-	-	1,525	-	-	1,525	-	26,146	27,671
Meals and entertainment	146,039	54,381	583	-	16,482	-	-	217,485	281,596	-	499,081
Rentals, facilities and decorations for events	34,010	10,632	-	-	4,788	1,860	-	51,290	54,570	-	105,860
Other	4,212	12,128	-	1	40,842	3,102	-	60,285	16,094	53,105	129,484
Missions	92	-	46,885	-	-	1,135	-	48,112	159	-	48,271
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-
Allocations	-	-	-	-	-	-	5,299,460	5,299,460	-	-	5,299,460
Total expense before depreciation	648,290	453,542	59,780	184,368	524,329	343,857	5,299,460	7,513,626	1,154,648	756,517	9,424,791
Depreciation of building and equipment	9,650	4,096	-	1,810	13,999	-	-	29,555	82,223	7,503	119,281
Total Expenses	\$ 657,940	\$ 457,638	\$ 59,780	\$ 186,178	\$ 538,328	\$ 343,857	\$ 5,299,460	\$ 7,543,181	\$ 1,236,871	\$ 764,020	\$ 9,544,072

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

JEWISH FEDERATION OF GREATER DALLAS
Statement of Functional Expenses
For the Year Ended July 31, 2010

	Program Services							Total Program Services	Fundraising	General and Administrative	Total
	Community Education	Jewish Community Relations Council	Missions and Leadership	Planning and Allocations	Center for Jewish Education	Shared and Other	Allocations to National, International and Local Agencies				
Salaries	\$ 438,018	\$ 306,332	\$ -	\$ 142,905	\$ 352,967	\$ -	\$ -	\$ 1,240,222	\$ 519,350	\$ 559,178	\$ 2,318,750
Employee benefits	54,214	31,834	-	8,166	25,361	-	-	119,575	62,873	41,310	223,758
Payroll taxes and related	36,714	25,374	-	12,970	27,702	-	-	102,760	43,632	34,847	181,239
Total payroll expenses	528,946	363,540	-	164,041	406,030	-	-	1,462,557	625,855	635,335	2,723,747
Occupancy	-	-	-	280	5,300	150,669	-	156,249	801	19,981	177,031
Meetings and conferences	4,840	23,085	13,632	1,530	8,533	16,430	-	68,050	5,923	9,077	83,050
Bank fees and credit card discount fees	-	-	-	-	-	86,694	-	86,694	-	-	86,694
Interest expense	-	-	-	-	-	16,094	-	16,094	-	-	16,094
Equipment and maintenance	43	3,476	-	-	-	-	-	3,519	43	12,413	15,975
Insurance	-	-	-	-	-	3,686	-	3,686	-	15,269	18,955
Travel	591	1,535	-	116	619	109	-	2,970	612	704	4,286
Printing and related	836	8,487	2,352	-	14,193	1,116	-	26,984	53,679	2,961	83,624
Postage and shipping	200	3,530	52	16	11,027	72	-	14,897	34,536	1,875	51,308
Professional services	8,206	10,280	320	1,389	16,239	44,349	-	80,783	59,200	60,294	200,277
Office supplies and materials	406	1,529	17	39	2,579	54	-	4,624	11,493	11,077	27,194
Software and licenses	-	702	-	-	660	-	-	1,362	-	35,917	37,279
Meals and entertainment	38	7,184	241	-	30,057	-	-	37,520	104,735	-	142,255
Rentals, facilities and decorations for events	-	3,380	-	-	2,701	-	-	6,081	64,391	-	70,472
Other	4,768	5,160	-	36	40,044	-	-	50,008	16,352	6,768	73,128
Missions	2,438	-	134,776	-	-	2,912	-	140,126	43,281	-	183,407
Dues and subscriptions	-	9,411	-	-	1,254	-	-	10,665	541	2,043	13,249
Allocations	-	-	-	-	-	-	5,955,775	5,955,775	-	-	5,955,775
Total expense before depreciation	551,312	441,299	151,390	167,447	539,236	322,185	5,955,775	8,128,644	1,021,442	813,714	9,963,800
Depreciation of building and equipment	7,542	5,324	-	1,774	11,226	-	-	25,866	79,617	5,324	110,807
Total Expenses	\$ 558,854	\$ 446,623	\$ 151,390	\$ 169,221	\$ 550,462	\$ 322,185	\$ 5,955,775	\$ 8,154,510	\$ 1,101,059	\$ 819,038	\$ 10,074,607

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

JEWISH FEDERATION OF GREATER DALLAS
Statements of Cash Flows
For the Years Ended July 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 887,020	\$ (25,912)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	119,281	110,807
Provision for losses on uncollectible contributions receivable	327,568	272,027
Realized and unrealized loss (gain) on investments	(1,792)	3,194
Realized and unrealized gain on assets held by associated foundation	(41,851)	(15,294)
Realized and unrealized gain on interest in net assets of associated foundation	(22,958)	(21,799)
Change in operating assets and liabilities:		
Decrease in pledges receivable	36,596	720,590
Decrease (increase) in bequest receivable	500,000	(500,000)
Decrease in due from associated agencies and foundations	15,913	38,089
(Increase) decrease in interest and other receivables	(10,130)	529
Decrease (increase) in prepaid expenses	62,030	(51,718)
Increase in accounts payable and other liabilities	44,663	83,384
Decrease in allocations payable	(451,819)	(235,760)
Decrease in agency liabilities	(293,462)	(148,145)
Net cash provided by operating activities	1,171,059	229,992
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	-	(1,020,364)
Change in investment in assets held by associated foundation	178,430	165,926
Change in investment in interest in net assets of associated foundation	10,409	(6,236)
Proceeds from sales and maturities of investments	434,936	1,427,654
Purchases of fixed assets	(49,821)	(39,230)
Net cash provided by investing activities	573,954	527,750
CASH FLOWS FROM FINANCING ACTIVITIES -		
Principal payments on note payable to associated foundation	(13,993)	(13,368)
Net increase in cash and cash equivalents	1,731,020	744,374
Cash and cash equivalents at beginning of year	4,041,939	3,297,565
Cash and cash equivalents at end of year	\$ 5,772,959	\$ 4,041,939
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -		
Interest paid	\$ 14,557	\$ 16,094

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

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2011 and 2010

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

The Jewish Federation of Greater Dallas (the Federation) coordinates and implements fund-raising, planning, leadership development, education, and community relations for the Jewish community. Substantially all of the Federation's revenues are raised from individuals and organizations in the Dallas/Fort Worth area. The Federation is qualified as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The Federation's primary programs include:

Community Education: The annual campaign supports a network of more than 40 human and social service programs for Jews locally, nationally, and overseas. It is the only local campaign that meets Jewish needs both home and abroad. Several hundred volunteers assist in soliciting funds, participate in the preparation and realization of Federation events, and serve as ambassadors for the Federation and the community. Volunteers are organized according to event and program-specific areas, each with its own structure, working together to achieve effective and valuable results. The annual campaign also serves to strengthen community and promote relationships by focusing on outreach, donor recognition, and mission development.

Jewish Community Relations Council: The Jewish Community Relations Council (JCRC) is the central umbrella organization for public affairs that brings together Jewish organizations and religious institutions in the Greater Dallas area. The JCRC seeks to develop organized Jewish community consensus on issues affecting the security and continuity of the Jewish people as well as concerns affecting the local Dallas Jewish community and the community at large.

Missions and Leadership: Missions and leadership activities include programs and trips sponsored by the Federation to explore Jewish life in other communities and to address ongoing communal needs by recruiting and educating young men and women to be active and effective participants in the Jewish community in the years to come.

Planning and Allocations: Planning and allocation activities are associated with identifying, selecting, and monitoring programs, agencies, and organizations requesting and receiving allocations.

Center for Jewish Education: The Center for Jewish Education (CJE) serves as a resource, facilitator, and conveyor within the community; to enrich existing programs, and serve as a catalyst for new Jewish education initiatives; and to promote Jewish education as the critical link to ensuring Jewish continuity and the increased engagement of all members of the Greater Dallas Jewish community. CJE works with other Federation departments particularly in areas involving educational planning.

Shared and Other: Occupancy, professional services, and other expenses shared by the other major programs listed above and various smaller programmatic functions for which allocation to individual programs is not reasonably determinable or material to the financial statements.

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2011 and 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Nature of Operations (Continued)

Allocations to national, international and local agencies: Allocations to national, international and local agencies are gifts and grants made by the Federation to various agencies and organizations in fulfillment of the Federation's mission.

Northaven Facilities Corporation (NCFC) was established to oversee the maintenance and development of the property and buildings where the Federation and a separate entity are located. NCFC is a 501(c)(3) organization operating as a supporting agency of the Federation under the meaning of Section 509(a)(3). Under NCFC's articles of incorporation and by-laws, it operates with its own board of directors. Three of the five directors must be either serving members of the Federation board of directors or past chairmen of the Federation.

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic *Not-for-Profit Entities Consolidation*, for a reporting organization that controls another organization, it is presumed that combined financial statements are more meaningful than separate statements and are usually necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. The accompanying financial statements are not combined due to management's desire to present a separate set of financial statements showing only the Federation's financial position and results of operations. No combined financial statements were prepared for the year ended July 31, 2011 and 2010; however, the combined statements of financial position in summary format for the Federation and NCFC is included in Note 9.

(b) Basis of Presentation

The Federation reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Represents resources that are generally not subject to donor imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. Contributions received with time and/or purpose restrictions which are fully expended in the same period are classified as unrestricted.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Federation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Federation. The Federation had no permanently restricted net assets as of July 31, 2011 and 2010.

Revenues and support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2011 and 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Presentation (Continued)

Contributions are recognized as support in the period unconditional pledges to give are received. Contributions of assets other than cash are sold immediately and recorded at the amount of cash received, which approximates the fair value of the contributions.

(c) Cash and Cash Equivalents

For purposes of cash flows, the Federation considers cash, money market accounts, and all highly liquid debt instruments with original maturities of three months or less to be cash and cash equivalents.

(d) Investments

Investments are accounted for in accordance with FASB ASC topic *Not-for-Profit Entities Investments – Debt and Equity Securities*. This topic requires investments in equity securities with readily determinable fair values and all investments in debt securities to be measured at fair value. Fair values are based on quoted market prices, if available, or the best estimate of fair value determined by the Federation. Realized gains and losses on sales of securities are computed on the specific identification basis.

(e) Pledges Receivable

Pledges receivable consist of unconditional promises to give and are recognized in the year the unconditional promise is made. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

At July 31, 2011 and 2010, the Federation's pledges receivable consist of amounts which the Federation expects to be substantially collected in one year or less, less an allowance for uncollectible pledges of \$1,248,590 and \$998,299, respectively.

Because substantially all pledges are due within one year, the effect of discounting future pledges to present value is insignificant. Therefore, no discount has been applied to the pledges receivable.

(f) Allowance for Doubtful Pledges

The allowance for doubtful pledges is based on the collection experience of the Federation and analysis of specific promises made.

(g) Assets Held by and Interest in Associated Foundation

The Dallas Jewish Community Foundation (Foundation) was established as a separate public charity effective August 2006. The Foundation operates to facilitate legacy development and planned giving for the benefit of the Jewish community in the Greater Dallas area and worldwide. Assets held by associated foundation and interest in net assets of associated foundation in the Statements of Financial Position represents assets of the Federation that are held by the Foundation for administrative and investment purposes. Investments held by the Foundation are diversified and include cash equivalents, mutual funds, debt securities and equity securities.

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2011 and 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Building and Equipment

Building and equipment are stated at cost if purchased or at the estimated fair value at the date of donation if donated. The Federation capitalizes property and equipment with a cost or donated value of over \$1,000 and an estimated life greater than one year.

For furniture and equipment, depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. For leasehold improvements, depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the life of the lease, which range from twenty to thirty-one years.

(i) Impairment of Long-Lived Assets

The Federation periodically reviews the carrying value of its long-lived assets, including building and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent fair value of a long-lived asset, determined based upon the estimated future cash inflows attributable to the asset, less estimated future cash outflows, are less than the carrying amount, an impairment loss is recognized. No such losses were recognized for the years ended July 31, 2011 and 2010.

(j) Agency Liabilities

Agency liabilities represent assets held for the benefit of other agencies. See Note 7.

(k) Allocations Payable

The Federation makes allocations to constituents within the Jewish community. Allocations are recognized as allocations to other organizations in the Statements of Activities at the time the Federation's Board of Directors approves specific allocations. Annual allocations are accrued upon approval by the Board of Directors. The meeting to approve allocations is held following the close of the annual campaign and prior to the close of the Federation's fiscal year. Most allocations are paid during the subsequent year.

(l) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been reported on an objective basis (according to their natural classification) in the Statements of Functional Expenses. Certain costs are jointly shared by programs, fundraising, and general and administrative functions and, accordingly, have been allocated among the functions benefited based on management's estimates.

(m) Concentrations of Credit Risk

Concentrations of credit risk consist primarily of cash, investments, pledges and assets held by, and interest in net assets of, an associated foundation. The Federation places its cash with quality financial institutions. At times cash held in banks exceeds insured limits. Due to the risks associated with certain investment securities, it is at least reasonably

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2011 and 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Concentrations of Credit Risk (Continued)

possible that changes in the value of investment securities will occur in the near term and those changes could materially affect the financial statements. Pledges receivable are due from individuals and organization concentrated in the Dallas/Fort Worth area. As of July 31, 2011 and 2010, assets held by, and interest in net assets of, an associated foundation are related to the Foundation. These amounts are invested by the Foundation in a diversified investment portfolio.

(n) Donated Materials and Services

Many individuals volunteer their time that assist the Federation with specific assistance programs, campaign solicitations and various committee assignments. The Federation receives thousands of volunteer hours per year; however, these services do not meet the requirements of FASB ASC topic *Not-for-Profit Entities Revenue Recognition* and, therefore, are not included in the financial statements. Donated materials and services meeting the requirements of this ASC topic were not material during fiscal years 2011 and 2010.

(o) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(p) Reclassifications

Certain balances in 2010 have been reclassified to conform to the 2011 presentation.

(q) Federal Income Taxes

The Federation is exempt for federal income tax purposes under Internal Revenue Code Section 501(c) (3). Therefore, no tax provision or liability has been reported in the accompanying financial statements.

The Federation applied the provisions of the FASB ASC topic *Accounting for Uncertainty in Income Taxes* during the year. Under this ASC topic, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The implementation of this ASC topic had no impact on the financial statements. The Federation does not believe there are any unrecognized tax benefits that should be recorded.

For the years ended July 31, 2011 and 2010, there were no interest or penalties recorded or included in the Statements of Activities related to taxes. The Federation is not under examination for tax purposes by any jurisdiction. Tax years 2007 through present are subject to examination.

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2011 and 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Fair Value of Financial Instruments

FASB ASC topic *Financial Instruments* requires disclosure of an estimate of fair value of certain financial instruments. The Federation's significant financial instruments are cash, investments, pledges receivable, and other short-term assets and liabilities, which are all stated at their approximate fair values in the Federations financial statements. Note 10 provides further details regarding fair value.

(s) Recent Accounting Pronouncements

The Federation's management has evaluated the recently issued accounting pronouncements through the date that these financial statements were available to be issued and has determined the application of these pronouncements will have no material impact on the Federation's financial position and results of operations.

2. INVESTMENTS

Investments for the Federation are carried at market values, which approximate cost and consist of the following at July 31,:

	<u>2011</u>	<u>2010</u>
State of Israel bonds	\$ 2,000	\$ 2,000
Certificates of deposit	-	446,197
Other	<u>13,053</u>	<u>-</u>
	<u>\$ 15,053</u>	<u>\$ 448,197</u>

Investment income in the Statements of Activities, resulting from the investments described above, assets held by the Foundation described in Note 3, an cash balances held in interest-bearing accounts includes the following accounts at July 31,:

	<u>2011</u>	<u>2010</u>
Realized and unrealized gain	\$ 66,601	\$ 33,899
Dividends and interest	<u>55,577</u>	<u>36,684</u>
	<u>\$ 122,178</u>	<u>\$ 70,583</u>

3. RELATED PARTY TRANSACTIONS

The Federation provides office space to the Foundation and a beneficiary agency, Dallas Kosher. These occupancy and other related costs paid by the Federation are included in allocations to national, international and local agencies in the Statements of Activities. Allocation of costs in 2011 and 2010 to the Foundation were \$0 and \$9,200, respectively. Allocation of costs in 2011 and 2010 to Dallas Kosher were \$2,880 and \$2,900, respectively.

The Foundation maintains donor advised funds. Some supporters of the Federation provide support by making recommendations to the Foundation to provide contributions from their related donor advised funds. Cash received from the Foundation is included in grants and contributions in the Statements of Activities.

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2011 and 2010

3. RELATED PARTY TRANSACTIONS (Continued)

The Federation provides accounting services to the Greater Dallas Jewish Community Capital Campaign for the 21st Century (Capital Campaign). During 2011 and 2010, the Federation recognized approximately \$15,000 per year from the Capital Campaign, which is included in the Statements of Activities.

The Federation entered into a term loan agreement with the Foundation in November 2004. As a result of this agreement, the Federation received loan proceeds of \$1,044,836 during 2005. The Foundation made contributions to the Federation of \$28,550 and \$29,712 in 2011 and 2010, respectively, which the Federation used to pay debt service costs. The amounts granted by the Foundation to the Federation are included in contributions in the Statements of Activities. In accordance with the term loan agreement, the Federation is required to maintain \$44,000 of cash reserves until this debt is fully repaid. This amount is included in temporarily restricted net assets for the years ending July 31, 2011 and 2010.

The Federation transferred assets to the Foundation to be held in a custodial account for the benefit of the Federation. There are no limitations or withdrawal restrictions on these assets, which had a fair market value of \$1,294,825 and \$1,431,404 at July 31, 2011 and 2010, respectively; however, the Federation intends to keep a portion of these funds held at the Foundation to cover potential collateral shortfalls of the Foundation's bond indebtedness, in which case the Federation may choose, but is not obligated, to contribute a portion of these funds to the Foundation. There were no transfers of custodial assets to the Foundation in 2011 or 2010. Earnings on these custodial assets are recognized by the Federation as investment income in the Statements of Activities. The Federation paid the Foundation trust and administrative fees of approximately \$3,800 and \$4,100 in 2011 and 2010, respectively.

The Federation has an interest in the net assets of the Foundation, which had a fair market value of \$292,389 and \$279,840 at July 31, 2011 and 2010, respectively. The change in fair value of this interest is reported as change in value of interest in net assets of associated foundation in the Statements of Activities.

4. BUILDING AND EQUIPMENT

Building and equipment consists of the following at July 31,:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 1,437,166	\$ 1,433,153
Furniture and equipment:		
Computers	410,396	388,645
Telephone system	47,329	47,329
Office furniture and equipment	<u>198,055</u>	<u>174,000</u>
	2,092,946	2,043,127
Less accumulated depreciation	<u>(896,400)</u>	<u>(777,121)</u>
	<u>\$ 1,196,546</u>	<u>\$ 1,266,006</u>

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2011 and 2010

5. RETIREMENT PLAN

An Internal Revenue Code Section 403(b) retirement plan was implemented on October 1, 1995. This plan authorizes the employees to make pre-tax contributions to the plan. Effective May 20, 2009, the Plan was amended to revise the Federation matching contribution to a discretionary contribution. The Federation's discretionary contributions in 2011 and 2010 were \$0 and \$24,239, respectively.

6. RESTRICTIONS AND BOARD DESIGNATIONS ON NET ASSETS

Temporarily restricted net assets of the Federation were available for the following purposes at July 31,:

	<u>2011</u>	<u>2010</u>
2011 Campaign	\$ -	\$ 30,479
2012 Campaign	50,500	-
Café Israel	-	3,955
Campaign Rothschild Funds	13,287	17,469
Centennial Gala	-	27,500
CJE – Teen Philanthropy	10,000	-
Darfur Fund	200	-
Debt Service	44,000	44,000
Indigent Burial	9,025	9,025
JCRC Community Missions	34,500	34,500
JCRC Israel Rally	-	27,000
JCRC Operations Salary	76,283	39,500
Jewish Education	12,130	19,000
PJ Library	60,000	-
Missions	20,000	20,000
Tycher Library	<u>25,865</u>	<u>20,691</u>
	<u>\$ 355,790</u>	<u>\$ 293,119</u>

Board designated net assets of the Federation were available for the following purposes established by the Board of Directors of the Federation as of July 31,:

	<u>2011</u>	<u>2010</u>
Centennial Year Surplus	\$ 290,000	\$ -
Fagan Bequest	936,827	-
Feldman Building Capital Reserve	50,649	47,916
Future Campaigns	77,013	177,013
Israel and Overseas – JFGD	35,000	-
Israel Independence Day	20,250	22,500
JCRC Department	20,000	20,000
Jewish Education	7,319	25,919
Marx Fund	292,389	279,840
Partnership 2000	88,510	86,573
Stabilization Fund	<u>519,649</u>	<u>516,360</u>
	<u>\$ 2,337,606</u>	<u>\$ 1,176,121</u>

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2011 and 2010

7. AGENCY LIABILITIES AND TRANSFERS

The Federation follows the provisions of FASB ASC topic *Not-for-Profit Entities Revenue Recognition*. This topic specifically requires that if the Federation accepts assets from a resource provider which are designated for the benefit of another not-profit-organization or individual, and the recipient organization does not maintain variance power over such transfers, the Federation must account for the transfer of such assets as a liability. Accordingly, \$548,867 and \$842,329 of such donations are reflected as agency liabilities as of July 31, 2011 and 2010, respectively. These amounts are due to national, international and local agencies supported by the Federation. For the years ended July 31, 2011 and 2010, the total amounts of agency transactions paid out by the Federation was approximately \$988,000 and \$1,396,000, respectively.

8. NOTES PAYABLE

On November 11, 2004, the Federation entered into an agreement with the Foundation to obtain funds to expand, renovate and refurbish the Jacob Feldman Building, the Center for Jewish Education, and to create a conference center in the JCC. The original loan amount was \$1,044,836 and amortizes over thirty years. The amortization schedule is based on the amortization schedule of the Foundation's tax-exempt bonds.

The loan is secured by (a) the pledge of the Federation's lease with NCFC and (b) \$44,000 of cash. The loan agreement also limits the Federation's indebtedness, investments and other financial commitments. The loan requires financial reporting to the Foundation on a quarterly and annual basis.

The note payable has a variable interest rate which accrues interest at the same rate as the Foundation's tax-exempt bonds. In 2011 and 2010, the Federation paid debt service costs of \$14,557 and \$16,094, respectively, on the note payable and received grants of \$28,550 and \$29,712, respectively, from the Foundation which it used to pay such costs and related principal during 2011 and 2010.

Future maturities on the note payable for the next five years and thereafter are as follows:

2012	\$ 13,721
2013	13,721
2014	20,011
2015	20,011
2016	20,011
Thereafter	<u>874,218</u>
	<u>\$ 961,693</u>

9. NCFC COMBINED FINANCIAL INFORMATION

As further discussed in Note 1, NCFC is a supporting organization of the Federation at July 31, 2011 and 2010. NCFC and the Federation have shared control at the board level. Had the assets, liabilities, and net assets of NCFC and the Federation been combined at July 31, 2011 and 2010, the Statements of Financial Position (in summary format) would have been as follows:

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2011 and 2010

9. NCFC COMBINED FINANCIAL INFORMATION (Continued)

<u>2011</u>	<u>Federation</u>	(Unaudited) <u>NCFC</u>	<u>Total</u>
Assets	\$ <u>13,257,778</u>	\$ <u>21,886,146</u>	\$ <u>35,143,924</u>
Liabilities	8,709,243	1,688	8,680,931
Net Assets	<u>4,548,535</u>	<u>21,884,458</u>	<u>26,462,993</u>
Total Liabilities and Net Assets	\$ <u>13,257,778</u>	\$ <u>21,886,146</u>	\$ <u>35,143,924</u>

<u>2010</u>	<u>Federation</u>	(Unaudited) <u>NCFC</u>	<u>Total</u>
Assets	\$ <u>13,085,369</u>	\$ <u>21,880,102</u>	\$ <u>34,965,471</u>
Liabilities	\$ 9,423,854	\$ 1,688	\$ 9,425,542
Net Assets	<u>3,661,515</u>	<u>21,878,414</u>	<u>25,539,929</u>
Total Liabilities and Net Assets	\$ <u>13,085,369</u>	\$ <u>21,880,102</u>	\$ <u>35,965,741</u>

The assets of NCFC at July 31, 2011 and 2010 are primarily land, building and building improvements.

The Federation leases office space from NCFC under a 50-year lease, at substantially no cost to the Federation. Management estimates the value of this donated rent for 2011 and 2010 to be approximately \$165,000 per year; however, in kind income and expense for this donated facility use is excluded from the financial statements due to the nature of the relationship between NCFC and the Federation. Similarly, NCFC leases office space to a separate related party under a 50-year lease at substantially no cost to the related party. This lease commitment, estimated at \$1,870,000 per year, is not reflected in the NCFC liabilities or net assets above.

10. FAIR VALUE MEASUREMENTS

FASB ASC topic *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this topic are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Federation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2011 and 2010

10. FAIR VALUE MEASUREMENTS (Continued)

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets measured at fair value on a recurring basis include investments, assets held by associated foundation, and interest in net assets of associated foundation. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at July 31, 2011 and 2010.

Investments consist primarily of certificates of deposit, which are carried at fair value as reported by the related banks and are classified in level 2 of the fair value hierarchy. Other securities are reported at fair value and are reported in level 1 of the fair value hierarchy. Assets held by associated foundation and interest in net assets of associated foundation are carried at fair market value as reported by the associated foundation and are classified in level 2 of the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Federation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measure at the reporting date.

11. LINE OF CREDIT

In December 2008, the Federation obtained a revolving line of credit with a bank. The credit agreement provided up to \$800,000 of credit. Interest on unpaid balances accrued at a variable rate dependent upon LIBOR and a calculated borrowing base, and the agreement matured on December 29, 2010 and was not renewed.

12. INTENTIONS TO GIVE

The Federation receives indications from donors of their intention to make recommendations to provide funding to the Federation through independent philanthropic funds. The Federation has not recognized these intentions to give in the accompanying financial statements since they are not unconditional pledges. The total of these intentions to give excluded from the financial statements were \$1,236,834 and \$801,154 for 2011 and 2010, respectively, including \$58,780 and \$20,000 associated with agency liabilities, respectively.

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2011 and 2010

13. JOINT COST ALLOCATION

The Federation operates an annual campaign as further described in Note 1. Costs associated with operating the campaign were approximately \$1,433,000 and \$1,228,000 for 2011 and 2010, respectively and are allocated approximately equally between fundraising and program expense in the Statements of Functional Expenses. Similarly, the Federation operates various events throughout the year which have joint program and fundraising functions. Costs for such programs for 2010 totaled approximately \$189,000. Of these costs, approximately \$38,000 were allocated to fundraising expense, with the remaining expense allocated to related programs in the Statements of Functional Expenses. For 2011, no significant joint costs existed for such programs.

14. BEQUEST RECEIVABLE AND RELATED PROMISE TO GIVE

During the year ended July 31, 2010, the Federation received notice it was the beneficiary of a bequest to be paid in fiscal year 2011. The bequest receivable is \$800,000. As part of receiving the bequest, the Federation made promises to give other organizations \$300,000 in fiscal year 2011. The net amount of these transactions, \$500,000, is reported as bequest receivable in the financial statements in 2010. The amount was received in 2011.

15. SUBSEQUENT EVENTS

The date to which events occurring after July 31, 2011, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is February 2, 2012, which is the date on which the financial statements were available to be issued.