

JEWISH FEDERATION OF GREATER DALLAS

Financial Statements

**As of and For the Years Ended
July 31, 2012 and 2011**

(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, 2012 and 2011, 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 8 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 8 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, 2012 and 2011 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

January 9, 2013
Dallas, Texas

JEWISH FEDERATION OF GREATER DALLAS
Statements of Financial Position
July 31, 2012 and 2011

	2012	2011
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,401,343	\$ 5,772,959
Invested assets	2,634,043	1,294,825
Pledges receivable, net	4,523,564	4,642,443
Bequest receivable	477	10,130
Due from associated agencies	-	13,282
Prepaid expenses	43,311	20,151
Other assets	2,000	15,053
Interest in net assets of a foundation	278,787	292,389
Building and equipment, net	1,136,062	1,196,546
Total assets	\$ 13,019,587	\$ 13,257,778
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and other liabilities	\$ 608,282	\$ 361,218
Agency liabilities	592,402	548,867
Allocations payable	6,190,425	6,837,465
Note payable to a foundation	947,700	961,693
Due to associated agencies	7,386	-
Total liabilities	8,346,195	8,709,243
Commitments and contingencies	-	-
NET ASSETS:		
Unrestricted:		
Undesignated	3,013,658	1,855,139
Board designated	1,318,732	2,337,606
Total unrestricted	4,332,390	4,192,745
Temporarily restricted	341,002	355,790
Total net assets	4,673,392	4,548,535
Total liabilities and net assets	\$ 13,019,587	\$ 13,257,778

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, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:						
Grants and contributions	\$ 9,290,371	\$ 161,020	\$ 9,451,391	\$ 9,176,453	\$ 164,157	\$ 9,340,610
Special events income	339,397	-	339,397	1,281,868	-	1,281,868
Investment income	71,776	-	71,776	122,178	-	122,178
Provision for losses on uncollectible contributions receivable	(291,620)	-	(291,620)	(327,568)	-	(327,568)
Rent income	20,307	-	20,307	40,545	-	40,545
Change in value of interest in net assets of a foundation	(16,695)	-	(16,695)	(26,541)	-	(26,541)
Net assets released from restrictions	175,808	(175,808)	-	101,486	(101,486)	-
Total revenues and support	9,589,344	(14,788)	9,574,556	10,368,421	62,671	10,431,092
EXPENSES AND DISTRIBUTIONS:						
Program services:						
Community engagement	504,181	-	504,181	657,940	-	657,940
Jewish Community Relations Council	422,477	-	422,477	457,638	-	457,638
Missions and leadership	25,353	-	25,353	59,780	-	59,780
Planning and allocations	178,511	-	178,511	186,178	-	186,178
Center for Jewish Education	721,029	-	721,029	538,328	-	538,328
Jewish Federations of North America	328,600	-	328,600	325,000	-	325,000
Shared and other	433,209	-	433,209	343,857	-	343,857
Allocations to national, international and local agencies	4,732,933	-	4,732,933	4,974,460	-	4,974,460
Total program services	7,346,293	-	7,346,293	7,543,181	-	7,543,181
Fundraising	1,107,907	-	1,107,907	1,236,871	-	1,236,871
General and administrative	995,499	-	995,499	764,020	-	764,020
Total expenses and distributions	9,449,699	-	9,449,699	9,544,072	-	9,544,072
Change in net assets	139,645	(14,788)	124,857	824,349	62,671	887,020
Net assets at beginning of year	4,192,745	355,790	4,548,535	3,368,396	293,119	3,661,515
Net assets at end of year	\$ 4,332,390	\$ 341,002	\$ 4,673,392	\$ 4,192,745	\$ 355,790	\$ 4,548,535

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, 2012

	Program Services								Total Program Services	Fundraising	General and Administrative	Total
	Community Engagement	Jewish Community Relations Council	Missions and Leadership	Planning and Allocations	Center for Jewish Education	Jewish Federations of North America	Shared and Other	Allocations to National, International and Local Agencies				
Salaries	\$ 357,419	\$ 286,605	\$ -	\$ 145,816	\$ 388,682	\$ -	\$ -	\$ -	\$ 1,178,522	\$ 430,454	\$ 521,798	\$ 2,130,774
Employee benefits	44,203	39,857	-	10,188	28,623	-	106	-	122,977	52,248	57,976	233,201
Payroll taxes and related	26,243	22,300	-	11,533	26,626	-	-	-	86,702	31,858	32,319	150,879
Total payroll expenses	427,865	348,762	-	167,537	443,931	-	106	-	1,388,201	514,560	612,093	2,514,854
Occupancy	805	510	-	-	2,245	-	151,034	-	154,594	805	18,205	173,604
Meetings and conferences	5,388	11,602	737	5,647	11,281	-	52,459	-	87,114	15,986	36,862	139,962
Bank fees and credit card discount fees	-	-	-	-	-	-	108,182	-	108,182	-	-	108,182
Interest expense	-	-	-	-	-	-	10,159	-	10,159	-	-	10,159
Equipment and maintenance	-	-	-	-	2,085	-	-	-	2,085	-	16,861	18,946
Insurance	-	-	-	-	-	-	-	-	-	-	17,189	17,189
Travel	143	2,756	14	204	278	-	1,372	-	4,767	722	2,066	7,555
Printing and related	8,917	4,337	-	-	22,370	-	9,114	-	44,738	54,931	7,358	107,027
Postage and shipping	7,695	820	2	21	5,374	-	3,374	-	17,286	25,166	1,281	43,733
Professional services	19,853	2,090	-	1,908	43,373	-	18,240	-	85,464	157,164	193,537	436,165
Office supplies and materials	3,507	834	42	428	2,933	-	816	-	8,560	4,624	24,382	37,566
Software and licenses	-	168	-	188	1,000	-	-	-	1,356	-	29,652	31,008
Meals and entertainment	4,393	8,022	-	-	10,913	-	37,728	-	61,056	182,222	450	243,728
Rentals, facilities and decorations for events	-	3,191	-	-	8,571	-	17,378	-	29,140	27,842	-	56,982
Other	15,444	3,620	-	79	95,862	-	11,226	-	126,231	25,894	28,065	180,190
Missions	-	24,713	24,558	-	-	-	11,175	-	60,446	11,567	-	72,013
Dues and subscriptions	174	7,303	-	-	55,817	328,600	846	-	392,740	199	-	392,939
Allocations	-	-	-	-	-	-	-	4,732,933	4,732,933	-	-	4,732,933
Total expense before depreciation	494,184	418,728	25,353	176,012	706,033	328,600	433,209	4,732,933	7,315,052	1,021,682	988,001	9,324,735
Depreciation of building and equipment	9,997	3,749	-	2,499	14,996	-	-	-	31,241	86,225	7,498	124,964
Total Expenses	\$ 504,181	\$ 422,477	\$ 25,353	\$ 178,511	\$ 721,029	\$ 328,600	\$ 433,209	\$ 4,732,933	\$ 7,346,293	\$ 1,107,907	\$ 995,499	\$ 9,449,699

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, 2011

	Program Services								Total Program Services	Fundraising	General and Administrative	Total
	Community Engagement	Jewish Community Relations Council	Missions and Leadership	Planning and Allocations	Center for Jewish Education	Jewish Federations of North America	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	-	-	-	-	-	325,000	-	-	325,000	-	-	325,000
Allocations	-	-	-	-	-	-	-	4,974,460	4,974,460	-	-	4,974,460
Total expense before depreciation	648,290	453,542	59,780	184,368	524,329	325,000	343,857	4,974,460	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	\$ 325,000	\$ 343,857	\$ 4,974,460	\$ 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
Statements of Cash Flows
For the Years Ended July 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 124,857	\$ 887,020
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	124,964	119,281
Provision for losses on uncollectible contributions receivable	291,620	327,568
Realized and unrealized gain on invested assets	(47,386)	(43,643)
Realized and unrealized loss (gain) on interest in net assets of a foundation	1,680	(22,958)
Change in operating assets and liabilities:		
(Increase) decrease in pledges receivable	(172,741)	36,596
Decrease in bequest receivable	10,130	500,000
Decrease in due from associated agencies	20,668	15,913
Increase in interest and other receivables	(477)	(10,130)
(Increase) decrease in prepaid expenses	(23,160)	62,030
Increase in accounts payable and other liabilities	247,064	44,663
Decrease in allocations payable	(647,040)	(451,819)
Increase (decrease) in agency liabilities	43,535	(293,462)
Net cash (used in) provided by operating activities	(26,286)	1,171,059
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in invested assets	(1,294,894)	178,430
Change in investment in interest in net assets of a foundation	11,922	10,409
Proceeds from sales and maturities of investments	16,117	434,936
Purchases of fixed assets	(64,482)	(49,821)
Net cash (used in) provided by investing activities	(1,331,337)	573,954
CASH FLOWS FROM FINANCING ACTIVITIES -		
Principal payments on note payable	(13,993)	(13,993)
Net (decrease) increase in cash and cash equivalents	(1,371,616)	1,731,020
Cash and cash equivalents at beginning of year	5,772,959	4,041,939
Cash and cash equivalents at end of year	\$ 4,401,343	\$ 5,772,959
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -		
Interest paid	\$ 10,159	\$ 14,557

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, 2012 and 2011

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 Engagement: A main component of the mission of the Federation is to build community in addition to raising and allocating funds. Through engagement of hundreds of volunteers across various departments of the Federation, the Federation inspires and connects community members who might otherwise not be actively involved in the organized Jewish community including the Campaign department, Israel and Overseas, Planning and Allocations, Finance, Partnership 2Gether, Young Adult Division and others.

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.

Jewish Federations of North America: The Jewish Federations of North America is the International umbrella organization for the North American Federations. They provide numerous services to each local Federation including consulting and recruitment, marketing and branding guidelines and tactics, national young adult and women's philanthropy programs, missions and VIP travel support, leadership development, financial resource development consulting and other vital programs and services that ultimately benefit the entire community through the success of the local Federations.

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2012 and 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Nature of Operations (Continued)

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.

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, 2012 and 2011; however, the combined statements of financial position in summary format for the Federation and NCFC is included in Note 8.

(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, 2012 and 2011.

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2012 and 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Presentation (Continued)

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.

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) Other Assets

Other assets consist of bonds, certificates of deposits or similar investments which are reported at amounts that approximate fair value.

(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, 2012 and 2011, 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 for all current and prior campaigns of \$1,357,730 and \$1,248,590, respectively. The allowance for doubtful pledges is based on the collection experience of the Federation and analysis of specific promises made.

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) Invested Assets and Interest in Net Assets of a Foundation

Invested assets and Interest in Net Assets of a Foundation on the statements of financial position represents assets of the Federation that are held by the Dallas Jewish Community Foundation (the Foundation). Investments held by this 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, 2012 and 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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.

(h) 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, 2012 and 2011.

(i) Agency Liabilities

Agency liabilities represent assets held for the benefit of other agencies. See Note 4.

(j) 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.

(k) 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.

(l) Concentrations of Credit Risk

Concentrations of credit risk consist primarily of cash, pledges, invested assets, and interest in net assets of a foundation. The Federation places its cash with quality financial institutions. At times cash held in banks exceeds insured limits. Pledges receivable are due from individuals and organization concentrated in the Dallas/Fort Worth area.

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2012 and 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Concentrations of Credit Risk (Continued)

Invested assets and Interest in Net Assets of a Foundation are invested by the Foundation as part of a pooled, diversified investment portfolio.

(m) 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 2012 and 2011.

(n) 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.

(o) 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, 2012 and 2011, 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 2008 through present are subject to examination.

(p) 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 2 provides further details regarding fair value.

JEWISH FEDERATION OF GREATER DALLAS
Notes to Financial Statements
As of and For the Years Ended July 31, 2012 and 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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 change in net assets.

(r) Reclassifications

Certain 2011 balances have been reclassified to conform with the 2012 presentation.

2. 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.

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 other assets, invested assets, and interest in net assets of a foundation.

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2. FAIR VALUE MEASUREMENTS (Continued)

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, 2012 and 2011.

Other assets consist primarily of bonds and 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. Invested assets and interest in net assets of a foundation are carried at fair market value as reported by the 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.

3. BUILDING AND EQUIPMENT

Building and equipment consists of the following at July 31,

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 1,443,859	\$ 1,437,166
Furniture and equipment:		
Computers	446,762	410,396
Telephone system	47,329	47,329
Office furniture and equipment	<u>219,476</u>	<u>198,055</u>
	2,157,426	2,092,946
Less accumulated depreciation	<u>(1,021,364)</u>	<u>(896,400)</u>
	<u>\$ 1,136,062</u>	<u>\$ 1,196,546</u>

4. 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, \$592,402 and \$548,867 of such donations are reflected as agency liabilities as of July 31, 2012 and 2011, respectively. These amounts are due to national, international and local agencies supported by the Federation. For the years ended July 31, 2012 and 2011, the total amounts of agency transactions paid out by the Federation was approximately \$1,283,000 and \$988,000, respectively.

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5. 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 2012 and 2011, the Federation paid debt service costs of \$10,159 and \$14,557, respectively, on the note payable and received grants of \$34,599 and \$28,550, respectively, from the Foundation which it used to pay such costs and related principal during 2012 and 2011.

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

2013	\$ 13,721
2014	20,011
2015	20,011
2016	20,011
2017	20,011
Thereafter	<u>853,935</u>
	<u>\$ 947,700</u>

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>2012</u>	<u>2011</u>
2012 Campaign	\$ -	\$ 50,500
2013 Campaign	151,322	-
Campaign Rothschild Funds	13,287	13,287
CJE – Teen Philanthropy	-	10,000
Darfur Fund	200	200
Debt Service	44,000	44,000
Indigent Burial	-	9,025
JCRC Community Missions	34,500	34,500
JCRC – PEI Operations Salary	-	76,283
Jewish Education	14,588	12,130
PJ Library	30,000	60,000
Missions	20,000	20,000
MJD Website Fees	1,300	-
Tycher Library	<u>31,805</u>	<u>25,865</u>
	<u>\$ 341,002</u>	<u>\$ 355,790</u>

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6. RESTRICTIONS AND BOARD DESIGNATIONS ON NET ASSETS (Continued)

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>2012</u>	<u>2011</u>
Centennial Year Surplus	\$ -	\$ 290,000
Fagan Bequest	-	936,827
Feldman Building Capital Reserve	47,779	50,649
Future Campaigns	52,453	77,013
Israel and Overseas – JFGD	70,000	35,000
Israel Independence Day	22,196	20,250
JCRC Department	20,000	20,000
Jewish Education	13,019	7,319
Marx Fund	278,787	292,389
Partnership 2gether	294,157	88,510
Stabilization Fund	<u>520,341</u>	<u>519,649</u>
	<u>\$ 1,318,732</u>	<u>\$ 2,337,606</u>

7. 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 2012 and 2011 were \$15,175 and \$4,952, respectively.

8. NCFC COMBINED FINANCIAL INFORMATION

As further discussed in Note 1, NCFC is a supporting organization of the Federation at July 31, 2012 and 2011. 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, 2012 and 2011, the statements of financial position (in summary format) would have been as follows:

<u>2012</u>	<u>Federation</u>	(Unaudited) <u>NCFC</u>	<u>Total</u>
Assets	\$ <u>13,019,587</u>	\$ <u>20,873,570</u>	\$ <u>33,893,157</u>
Liabilities	8,346,195	1,688	8,347,883
Net Assets	<u>4,673,392</u>	<u>20,871,882</u>	<u>25,545,274</u>
Total Liabilities and Net Assets	\$ <u>13,019,587</u>	\$ <u>20,873,570</u>	\$ <u>33,893,157</u>
<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>

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8. NCFC COMBINED FINANCIAL INFORMATION (Continued)

The assets of NCFC at July 31, 2012 and 2011 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 2012 and 2011 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.

9. 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 approximately \$986,000 and \$1,237,000 for 2012 and 2011, respectively, including \$0 and \$58,780 associated with agency liabilities, respectively.

10. JOINT COST ALLOCATION

The Federation operates an annual campaign as further described in Note 1. Costs associated with operating the campaign were 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. For 2012, total expense related to joint activities was approximately \$1.2 million of which approximately \$647,000 was allocated to fundraising. For 2011, total expense related to joint activities was approximately \$1.4 million of which approximately \$700,000 was allocated to fundraising.

11. SUBSEQUENT EVENTS

The date to which events occurring after July 31, 2012, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is January 9, 2013, which is the date on which the financial statements were available to be issued.