

**THE JEWISH COMMUNITY
FOUNDATION OF THE WEST**
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

DECEMBER 31, 2013 and 2012

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5
Notes to Financial Statements	6-15



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Jewish Community Foundation of the West
(A Nonprofit Organization)
Sacramento, California

We have audited the accompanying financial statements of The Jewish Community Foundation of the West (A Nonprofit Organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years 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 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 audits 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.

Timothy J. Schwartz, CPA
Gary F. Giannini, CPA
Philip Lantsberger, CPA
William H. Adamson
Rebecca Ford Rey, CPA
Robert Gross, CPA

4578 Feather River Drive
Suite D
Stockton, California 95219
Ph: 209.474.1084
Fx: 209.474.0301

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 Community Foundation of the West as of December 31, 2013 and 2012, 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.

Schwartz, Giannini, Lantberger & Adamson

Stockton, California
June 17, 2014

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,665	\$ 11,830
Restricted cash and cash equivalents	373,036	379,249
Total cash and cash equivalents	<u>\$ 384,701</u>	<u>\$ 391,079</u>
Prepaid expenses	1,932	2,027
Total current assets	<u>\$ 386,633</u>	<u>\$ 393,106</u>
Investments, fair value (Note 4)	5,845,389	6,516,824
Office equipment, net of accumulated depreciation	<u>401</u>	<u>670</u>
Total assets	<u><u>\$ 6,232,423</u></u>	<u><u>\$ 6,910,600</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,467	\$ 3,805
Funds held for others (Note 3)	1,521,258	2,846,196
Total current liabilities	<u>\$ 1,526,725</u>	<u>\$ 2,850,001</u>
Net assets		
Unrestricted	\$ 109,899	\$ 85,706
Temporarily restricted (Note 5)	2,383,459	2,123,191
Permanently restricted (Note 6)	2,212,340	1,851,702
Total net assets	<u>\$ 4,705,698</u>	<u>\$ 4,060,599</u>
Total liabilities and net assets	<u><u>\$ 6,232,423</u></u>	<u><u>\$ 6,910,600</u></u>

See Notes to Financial Statements.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Donations, pledges and support	\$ 2,978	\$ 387,721	\$ 143,931	\$ 534,630
Account fees	29,665	-	-	29,665
Dividends and interest	3,055	45,907	48,062	97,024
Net realized and unrealized gain on investments	16,291	190,389	245,247	451,927
Net assets released from restrictions	440,351	(363,749)	(76,602)	-
Total public support and revenue	<u>\$ 492,340</u>	<u>\$ 260,268</u>	<u>\$ 360,638</u>	<u>\$ 1,113,246</u>
EXPENSES				
Management and general				
Audit expense	\$ 9,000	\$ -	\$ -	\$ 9,000
Investment management	8,281	-	-	8,281
Bookkeeper	7,850	-	-	7,850
Salary expense	38,502	-	-	38,502
Rent	3,600	-	-	3,600
Office expense	1,485	-	-	1,485
Insurance	2,740	-	-	2,740
Depreciation	269	-	-	269
Annual report	2,678	-	-	2,678
Other	2,627	-	-	2,627
Total management and general	<u>\$ 77,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,032</u>
Foundation grantmaking	391,115	-	-	391,115
Total expenses	<u>\$ 468,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 468,147</u>
CHANGE IN NET ASSETS	\$ 24,193	\$ 260,268	\$ 360,638	\$ 645,099
NET ASSETS, BEGINNING OF YEAR	<u>85,706</u>	<u>2,123,191</u>	<u>1,851,702</u>	<u>4,060,599</u>
NET ASSETS, END OF YEAR	<u>\$ 109,899</u>	<u>\$ 2,383,459</u>	<u>\$ 2,212,340</u>	<u>\$ 4,705,698</u>

See Notes to Financial Statements.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Donations, pledges and support	\$ 3,581	\$ 806,762	\$ 77,484	\$ 887,827
Account fees	34,738	-	-	34,738
Dividends and interest	1,567	36,644	44,426	82,637
Net realized and unrealized gain on investments	3,821	143,472	176,361	323,654
Net assets released from restrictions	776,328	(670,633)	(105,695)	-
Total public support and revenue	<u>\$ 820,035</u>	<u>\$ 316,245</u>	<u>\$ 192,576</u>	<u>\$ 1,328,856</u>
EXPENSES				
Management and general				
Audit expense	\$ 9,000	\$ -	\$ -	\$ 9,000
Legal	2,118	-	-	2,118
Investment management	26,642	-	-	26,642
Bookkeeper	6,600	-	-	6,600
Salary expense	37,546	-	-	37,546
Rent	3,600	-	-	3,600
Office expense	2,204	-	-	2,204
Insurance	3,060	-	-	3,060
Depreciation	269	-	-	269
Annual report	2,843	-	-	2,843
Other	2,665	-	-	2,665
Total management and general	<u>\$ 96,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,547</u>
Foundation grantmaking	733,101	-	-	733,101
Total expenses	<u>\$ 829,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 829,648</u>
CHANGE IN NET ASSETS	\$ (9,613)	\$ 316,245	\$ 192,576	\$ 499,208
NET ASSETS, BEGINNING OF YEAR	<u>95,319</u>	<u>1,806,946</u>	<u>1,659,126</u>	<u>3,561,391</u>
NET ASSETS, END OF YEAR	<u><u>\$ 85,706</u></u>	<u><u>\$ 2,123,191</u></u>	<u><u>\$ 1,851,702</u></u>	<u><u>\$ 4,060,599</u></u>

See Notes to Financial Statements.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 645,099	\$ 499,208
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	269	269
Realized and unrealized (gain) loss on investments	(451,927)	(323,654)
Contributions restricted for permanent endowment	(143,931)	(77,484)
Donated securities	(282,446)	(234,751)
Decrease in prepaid expenses	95	546
Increase in accounts payable	1,662	346
(Decrease) in funds held for others	(1,324,938)	(526,695)
Net cash (used in) operating activities	<u>\$ (1,556,117)</u>	<u>\$ (706,641)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	\$ (9,622,101)	\$ (759,072)
Proceeds from sale of investments	<u>11,027,909</u>	<u>1,172,296</u>
Net cash provided by investing activities	<u>\$ 1,405,808</u>	<u>\$ 413,224</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent endowment	<u>\$ 143,931</u>	<u>\$ 77,484</u>
Net cash provided by financing activities	<u>\$ 143,931</u>	<u>\$ 121,910</u>
(Decrease) in cash and cash equivalents	\$ (6,378)	\$ (171,507)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>391,079</u>	<u>562,586</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 384,701</u></u>	<u><u>\$ 391,079</u></u>

See Notes to Financial Statements.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

This summary of significant accounting policies of The Jewish Community Foundation of the West (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

ORGANIZATION

The Jewish Community Foundation of the West is a nonprofit organization incorporated on January 4, 2000 under the laws of the State of California whose purpose is to administer contributions received and distribute grants which meet community needs.

BASIS OF ACCOUNTING

The financial statements of The Jewish Community Foundation of the West are prepared using the accrual basis and maintained in accordance with principles generally accepted in the United States of America. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and objectives. While separate accounts are maintained for each fund, the funds have been combined in the accompanying financial statements.

The funds of the Foundation are maintained as follows:

Administrative Fund – Administrative funds represent a portion of expendable resources that are available for the Foundation's operations.

Endowment Fund – Endowment funds represent funds that are subject to restriction of gift instruments requiring in perpetuity that the principal be invested.

Philanthropic and Donor Funds – Philanthropic and donor funds are available for disbursement at the recommendation of the donor subject to approval by the Board of Directors.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

The financial statement presentation follows the requirements of the *Financial Accounting Standards Board Accounting Standards Codification (FASB ASC)*, which requires the Foundation to report 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 - Net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets entrusted to the Foundation for the purpose of providing grants at a future date. The funds are expendable for charitable purposes at the recommendation of the donor in conjunction with approval by the Foundation's Board of Directors.

Permanently restricted net assets - Net assets consisting of endowment funds. A portion of investment income and realized investment gains from endowment funds are expendable for charitable purposes at the recommendation of the donor or management in conjunction with approval by the Foundation's Board of Directors.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) applies to nonprofit organizations in California. UPMIFA updates the prudence standard for the management and investment of charitable funds, and it amends the provisions governing the release and modifications of restrictions on charitable funds.

DONATIONS AND GRANTS RECEIVED

Donations and grants received are measured at their fair value and reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as released from restriction.

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS

Cash and cash equivalents and restricted cash and cash equivalents include demand deposits, money market accounts and short-term investments with original maturities of three months or less. Certain demand deposits held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The balances of money market accounts and short-term investments are covered under Securities Investor Protection Corporation (SIPC) up to \$500,000 on securities and \$250,000 on cash. At December 31, 2013 and 2012, the Foundation had demand deposits with a carrying amount of \$384,701 and \$391,079, respectively. The Foundation's custodian of securities, Morgan Stanley Smith Barney, carries additional private brokerage insurance, with no per-client limit on securities and \$1.9 million cash limit, as described at www2.morganstanley.com/wealth/relationshipwithms/pdfs/protection_customer_assets.pdf.

Fair market value of investments was \$5,845,389 and \$6,516,824 at December 31, 2013 and 2012, respectively (See Note 4).

At December 31, 2013 and 2012, cash and cash equivalents totaling \$373,036 and \$379,249 were restricted to uses stipulated by donors and approved by the Board of Directors and cash and cash equivalents totaling \$11,665 and \$11,830 were free of restrictions and available for administrative purposes.

OFFICE EQUIPMENT

Purchased office equipment is carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives of the office equipment are estimated to be between three to seven years. Depreciation expense for each of the years ended December 31, 2013 and 2012 was \$269.

INVESTMENTS

Investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America. Changes in fair value are recorded as unrealized gains (losses). Realized gains (losses) are recorded upon the sale of the investments. Investment gains pertaining to certain restricted net assets are recorded as temporarily restricted or permanently restricted in accordance with the applicable gift instruments. Interest income is recognized under the accrual basis and dividend income is recognized on the ex-dividend date.

Investments are exposed to various risks such as interest rate, market and credit risks. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT POOLS

The Foundation maintains investment pools, consisting of the resources of various endowments and managed funds, to increase its investment flexibility. The endowment funds are accounted for using the “market value unit method.” Under this method, each donor fund is assigned a number of units based on the relationship of the market value of all investments at the time of entry in the pool. Monthly, the pooled assets are valued and new unit values are calculated.

FUNDS HELD FOR OTHERS

The Foundation receives and distributes assets under certain agency and intermediary arrangements. FASB ASC 958-605 (formerly SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*), establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. FASB ASC 958-605 specifically requires that if a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself or its affiliate as a beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The liability has been established at the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs reflected under funds held for others on the accompanying statement of financial position.

INCOME TAX STATUS

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. In addition, the Foundation has been determined not to be a private foundation under Section 170(b)(1)(A)(vi) of the Internal Revenue Code.

The Organization’s tax filings are subject to audit by various taxing authorities. The Organization’s federal tax returns for 2011, 2012 and 2013 remain open to examination by the Internal Revenue Service; state income returns for 2010, 2011, 2012 and 2013 are open to examination. In evaluating the Organization’s tax provisions and accruals, management believes that its estimates are appropriate based on current facts and circumstances.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

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

NOTE 2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 17, 2014, the date the financial statements were available to be issued.

NOTE 3. FUNDS HELD FOR OTHERS

The Foundation holds and invests funds on behalf of other 501(c)(3) nonprofit organizations. Activity within the funds for the years ended December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Balance, January 1	\$ 2,846,196	\$ 3,372,891
Deposits	178,652	326,779
Investment income	53,811	53,798
Net realized and unrealized gain on investments	115,952	151,596
Transfer	-	(42,012)
Investment fee	(29,665)	(34,739)
Distributions	<u>*(1,643,688)</u>	<u>(982,117)</u>
Balance, December 31	<u>\$ 1,521,258</u>	<u>\$ 2,846,196</u>

*During the year ending December 31, 2013, the Foundation distributed funds on behalf of one nonprofit organization, totaling \$1,311,243, enabling the purchase of a building for the organization.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS

The Foundation's assets may be invested in one or more or some combination of the following portfolios:

Portfolio A - Growth Fund designated as the most aggressive mix of Fund assets. The Growth Fund recognizes that the potential for greater returns brings with it the potential for positive and negative returns. This fund is most appropriate for gifts which are expected to be invested for at least a term of 5 years. This fund is the default investment portfolio for endowment funds unless specified otherwise in the approved endowment agreement. The principal objective of Fund A is total return. The target asset allocation for this portfolio is currently 65% equities, 29% fixed income, and 6% cash and cash equivalents.

Portfolio B - Balanced Fund: designated as a moderate mix of Fund assets. Like Portfolio A, donors need to recognize that the potential for greater returns brings with it the potential for positive and negative returns. This fund is most appropriate for gifts that do not expect to distribute all or part of their value within the next 3 years. The principal objective of Fund B is total return. The target asset allocation for this portfolio is currently 47% equities, 48% fixed income, and 5% cash and cash equivalents.

Portfolio C- Preservation Fund (fee based): designated as a conservative mix of Fund assets in relatively liquid financial instruments and cash equivalents, with little or no potential for negative returns. This fund is most appropriate for donors seeking to minimize risk. This fund is the default investment option for all donor advised funds that exceed \$10,000 in asset value. The principal objective of Fund C is preservation of principal. The target asset allocation for this portfolio is currently 100% cash and cash equivalents.

Portfolio D- Preservation Fund (no fee): designated as a conservative mix of Fund assets in relatively liquid financial instruments and cash equivalents, with little or no potential for negative returns. This fund is most appropriate for donors seeking to minimize risk. This fund carries no management fee and is the default investment option for all donor advised philanthropic funds of less than \$10,000 in asset value. The principal objective of Fund D is preservation of principal. The target asset allocation for this portfolio is currently 100% cash and cash equivalents.

Portfolio E - Income Portfolio: designated as a conservative mix of fixed income assets, with little to moderate potential for negative returns. This fund includes a variety of high quality investment-grade fixed income assets. This fund is most appropriate for donors seeking low risk and current income. The principal objective of Portfolio E is current income. The target asset allocation for this portfolio is currently 100% fixed income.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS (CONTINUED)

Portfolio F - State of Israel Bond Fund: designated as a fixed income portfolio of State of Israel Bonds, with moderate potential for negative returns. This fund is comprised of a variety of State of Israel Bond fixed income investments. This fund is restricted to endowment funds where donors seek moderate to low risk current income and specifically request State of Israel Bonds. The principal objective of Portfolio F is current income. The target asset allocation for this portfolio is currently 100% State of Israel Bonds.

Fair Value Measurements

Generally accepted accounting principles establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 inputs are significant unobservable inputs for the asset or liability.

Investments are carried at fair market value. At December 31, 2013 and 2012, marketable securities, long-term investments, and restricted cash (all Level 1) were as follows:

	<u>2013</u>	<u>2012</u>
Growth Fund Portfolio A	\$ 4,652,454	\$ 4,176,775
Balanced Fund Portfolio B	1,141,573	974,375
Preservation Fund Portfolio C	146,810	198,285
Preservation Fund Portfolio D	158,242	148,211
Fixed Income Portfolio E	17,908	1,364,542
State of Israel Bond Fund Portfolio F	5,979	6,055
Sweep Account	<u>95,459</u>	<u>27,830</u>
	\$ 6,218,425	\$ 6,896,073
Restricted cash included above	<u>(373,036)</u>	<u>(379,249)</u>
Total investments, market value	<u>\$ 5,845,389</u>	<u>\$ 6,516,824</u>

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS (CONTINUED)

The Organization's investments are held by Morgan Stanley Smith Barney LLC. Confirmed fair market balances as of December 31, 2013 are as follows:

iShares Core US Aggregate Bond Fund	\$ 323,760
Vanguard FTSE Developed Markets ETF	1,151,285
Vanguard FTSE Emerging Markets Stock Index ETF	618,211
Vanguard Index S&P 500 ETF	1,800,094
Goldman Sachs Strategic Income I	331,118
Legg Mason BW Global Opportunity Bond Institutional	323,189
Prudential Total Return Bond Fund Z	327,346
Various	<u>970,386</u>
Total	<u>\$ 5,845,389</u>

The Organization's investments at December 31, 2012 were held by Charles Schwab. Confirmed fair market balances as of December 31, 2012 are as follows:

Dimensional Fund Advisors One Year Fixed Income I	\$ 1,363,649
Dimensional Fund Advisors Two Year Global Fixed Income I	628,375
Dimensional Fund Advisors International Core Equity I	645,954
Dimensional Fund Advisors US Core Equity I	1,031,213
Dimensional Fund Advisors US Large Cap Value I	366,993
Various	<u>2,480,640</u>
Total	<u>\$ 6,516,824</u>

During the year ending December 31, 2013, the Foundation changed investment custodians from Charles Schwab to Morgan Stanley, and in the process, liquidated investments under Charles Schwab to purchase investments managed by Morgan Stanley.

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2013 and 2012, the Foundation had temporarily restricted net assets of \$2,383,459 and \$2,123,191, respectively, which was restricted for grants to be made to non-profit organizations in future periods.

NOTE 6. PERMANENTLY RESTRICTED NET ASSETS

As of December 31, 2013 and 2012, the Foundation held permanently restricted net assets of \$2,212,340 and \$1,851,702, respectively, which consisted of endowment funds, requiring in perpetuity that the principal be invested. Foundation policy calls for distributions to be made from these funds to designated non-profit organizations based on the income earned in the funds.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

NOTE 6. PERMANENTLY RESTRICTED NET ASSETS (Continued)

The Board of Directors interprets UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets 1) the original value of gifts donated to the perpetual endowment, 2) the original value of subsequent gifts to the perpetual endowment, and 3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination of whether to invest or appropriate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation 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 the Foundation
- 7) The investment policies of the Foundation

Endowment funds are maintained in pooled investment portfolios. Interest, dividends, and realized and unrealized gains and losses in the investment pools are allocated monthly to the endowment funds in proportion to each fund's share in the investment pools.

Endowment fund activity for the years ended December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 1,851,702	\$ 1,659,126
Contributions	143,931	77,484
Investment income	24,306	22,553
Net realized and unrealized gain (loss)	245,247	176,361
Disbursements	(52,846)	(83,822)
Balance, end of year	<u>\$ 2,212,340</u>	<u>\$ 1,851,702</u>