

**THE JEWISH COMMUNITY FOUNDATION OF THE WEST**

**FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Jewish Community Foundation of the West  
Sacramento, California

We have audited the accompanying financial statements of The Jewish Community Foundation of the West (the "Foundation"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2016 and 2015, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Jewish Community Foundation of the West as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Propp Christensen Caniglia LLP*

October 4, 2017  
Roseville, California

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

STATEMENTS OF FINANCIAL POSITION  
December 31, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets:		
Operating cash and cash equivalents	\$ 5,155	\$ 11,553
Foundation cash and cash equivalents	<u>8,136</u>	<u>10,251</u>
Total cash and cash equivalents	13,291	21,804
Foundation investments	131,412	143,227
Donor advised funds	2,342,107	2,281,500
Prepaid expenses and other assets	<u>2,713</u>	<u>2,091</u>
Total current assets	2,489,523	2,448,622
Organization owned endowments	640,586	635,221
Organization owned donor advised funds	1,139,045	1,097,291
Endowments	2,776,894	2,322,045
Property and equipment, net	<u>-</u>	<u>-</u>
Total assets	<u>\$ 7,046,048</u>	<u>\$ 6,503,179</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 6,626</u>	<u>\$ 3,571</u>
Funds held for others	<u>1,779,631</u>	<u>1,732,512</u>
Total liabilities	<u>1,786,257</u>	<u>1,736,083</u>
Net assets:		
Unrestricted net assets	140,790	163,551
Temporarily restricted net assets	2,342,107	2,281,500
Permanently restricted net assets	<u>2,776,894</u>	<u>2,322,045</u>
Total net assets	<u>5,259,791</u>	<u>4,767,096</u>
Total liabilities and net assets	<u>\$ 7,046,048</u>	<u>\$ 6,503,179</u>

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

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2016 and 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Support and revenue:				
Donations, pledges and support	\$ 2,528	\$ 445,602	\$ 368,536	\$ 816,666
Account fees	21,355	-	-	21,355
Dividends and interest	3,049	43,317	59,198	105,564
Net realized and unrealized gain on investments	4,720	71,890	118,886	195,496
Other income	50,351	-	-	50,351
Net assets released from restrictions	591,973	(500,202)	(91,771)	-
	<u>673,976</u>	<u>60,607</u>	<u>454,849</u>	<u>1,189,432</u>
Total support and revenue				
Expenses:				
Management and general				
Audit expense	11,800	-	-	11,800
Investment management	6,715	-	-	6,715
Bookkeeper	6,600	-	-	6,600
Salary expense	45,729	-	-	45,729
Rent	4,900	-	-	4,900
Office expense	1,920	-	-	1,920
Insurance	3,439	-	-	3,439
Other	5,752	-	-	5,752
Total management and general	86,855	-	-	86,855
Foundation grantmaking	609,882	-	-	609,882
	<u>696,737</u>	<u>-</u>	<u>-</u>	<u>696,737</u>
Total expenses				
Change in net assets	(22,761)	60,607	454,849	492,695
Net assets, beginning of year	163,551	2,281,500	2,322,045	4,767,096
Net assets, end of year	<u>\$ 140,790</u>	<u>\$2,342,107</u>	<u>\$2,776,894</u>	<u>\$5,259,791</u>

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

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

STATEMENTS OF ACTIVITIES (CONTINUED)  
For the Years Ended December 31, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>
Support and revenue:				
Donations, pledges and support	\$ 6,410	\$ 404,373	\$ 186,032	\$ 596,815
Account fees	22,167	-	-	22,167
Dividends and interest	3,267	46,344	54,002	103,613
Net realized and unrealized loss on investments	(7,055)	(91,421)	(107,463)	(205,939)
Other income	85,666	-	-	85,666
Net assets released from restrictions	<u>518,239</u>	<u>(425,391)</u>	<u>(92,848)</u>	<u>-</u>
 Total support and revenue	 <u>628,694</u>	 <u>(66,095)</u>	 <u>39,723</u>	 <u>602,322</u>
Expenses:				
Management and general				
Audit expense	9,500	-	-	9,500
Investment management	6,439	-	-	6,439
Bookkeeper	6,600	-	-	6,600
Salary expense	37,703	-	-	37,703
Rent	4,500	-	-	4,500
Office expense	1,289	-	-	1,289
Insurance	3,368	-	-	3,368
Depreciation	132	-	-	132
Other	3,714	-	-	3,714
Total management and general	<u>73,245</u>	<u>-</u>	<u>-</u>	<u>73,245</u>
 Foundation grantmaking	 <u>522,262</u>	 <u>-</u>	 <u>-</u>	 <u>522,262</u>
 Total expenses	 <u>595,507</u>	 <u>-</u>	 <u>-</u>	 <u>595,507</u>
 Change in net assets	 33,187	 (66,095)	 39,723	 6,815
 Net assets, beginning of year	 <u>130,364</u>	 <u>2,347,595</u>	 <u>2,282,322</u>	 <u>4,760,281</u>
 Net assets, end of year	 <u>\$ 163,551</u>	 <u>\$2,281,500</u>	 <u>\$2,322,045</u>	 <u>\$4,767,096</u>

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

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ 492,695	\$ 6,815
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	-	132
Net realized and unrealized (gain) loss on investments	(195,496)	205,939
Donated securities	(380,827)	(176,897)
Contributions restricted for permanent endowment	(368,536)	(186,032)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(622)	96
Accounts payable and accrued expenses	3,055	(25,538)
Funds held for others	47,119	(25,212)
Net cash used in operating activities	<u>(402,612)</u>	<u>(200,697)</u>
Cash flows from investing activities:		
Purchase of investments	(1,236,288)	(2,396,339)
Proceeds from sale of investments	1,390,572	2,483,505
Change in restricted cash	(128,721)	(65,707)
Net cash provided by investing activities	<u>25,563</u>	<u>21,459</u>
Cash flows from financing activities:		
Contributions restricted for permanent endowment	<u>368,536</u>	<u>186,032</u>
Change in cash and cash equivalents	(8,513)	6,794
Cash and cash equivalents, beginning of year	<u>21,804</u>	<u>15,010</u>
Cash and cash equivalents, end of year	<u>\$ 13,291</u>	<u>\$ 21,804</u>

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

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1: ORGANIZATION

The Jewish Community Foundation of the West (the "Foundation") was incorporated on January 4, 2000, under the laws of the State of California with the purpose to administer contributions received and distribute grants which meet community needs.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of 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.

*Basis of Accounting*

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Internally, the Foundation accounts and reports for its operations in individual funds, each established according to their nature and objective. While separate accounts are maintained for each fund, the funds have been combined in these 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 that the principal be invested in perpetuity.

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

*Basis of Presentation*

Financial statement presentation follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 205, *Not-for-Profit Entities – Presentation of Financial Statements* (FASB ASC 958-205). Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to the following three classes of net assets:

*Unrestricted net assets* – Net assets that are not subject to donor stipulations.

*Temporarily restricted net assets* – Net assets subject to donor stipulations that may or will be met either by actions of the Foundation and/or passage of time. Temporary net assets consists of funds to be expended for charitable purposes at the recommendation of the donor or management and in conjunction with approval by the Foundation's Board of Directors.

*Permanently restricted net assets* – Net assets subject to donor stipulations that must be maintained permanently by the Foundation. Consisting of endowment funds, a portion of investment income and realized investment gains 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 JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Basis of Presentation (Continued)*

Revenues and gains and losses on investments are reported as increases in unrestricted net assets unless use of the related assets is limited by restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

*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*

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Additionally, in accordance with FASB ASC 958-230-55, cash receipts restricted to long term purposes by donor stipulation are reported in the statement of cash flows as financing activities.

*Concentrations of Credit Risk*

The Foundation maintains cash in bank deposit accounts, which at times, may exceed federally insured limits. These accounts are insurable by the Federal Deposit Insurance Corporation up to \$250,000 per bank for each category of legal ownership. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.

Certain money market accounts and short-term investments are covered under the Securities Investor Protection Corporation (SIPC) up to \$500,000 on securities and \$250,000 on cash balances. The Foundation's custodian of securities carries an additional private brokerage insurance of up to \$1.9 million.

*Property and Equipment*

Property and equipment consists of office equipment and is stated at cost. The Foundation provides for depreciation over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of the equipment range from three to seven years.

*Investments*

The Foundation has adopted Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 320, Not-for-Profit Entities – Investments– Debt and Equity Securities (FASB ASC 958-320). Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investments in securities are reported at fair value based on quoted market prices for marketable equity securities and money market mutual funds.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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.

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. Pooled assets are valued and new unit values are calculated monthly.

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 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.

Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3), and is not a private foundation under Section 170(b)(1)(A)(vi) of the Internal Revenue Code (IRC). The Foundation is exempt from state income tax under Section 170(b)(1)(A)(vi) of the California Revenue and Taxation Code. After they are filed, the Foundation's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Use of Estimates

The presentation 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.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Foundation has implemented the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10 (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Foundation's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through October 4, 2017, the date that the financial statements were available to be issued.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Fixed assets	\$ 15,120	\$ 15,120
Less accumulated depreciation	<u>(15,120)</u>	<u>(15,120)</u>
Net property and equipment	<u>\$ -</u>	<u>\$ -</u>

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

NOTE 4: FUNDS HELD FOR OTHERS

The Foundation holds and invests funds on behalf of other 501(c)(3) nonprofit organizations. These funds are shown on the accompanying balance sheets as organization owned endowments and organization owned donor advised funds. Activity within the funds for the years ended December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Balance, January 1,	\$ 1,732,512	\$ 1,757,724
Deposits	85,406	103,813
Interest and dividends	63,521	40,072
Net realized and unrealized gain (loss) on investments	71,270	(79,453)
Investment fee	(21,356)	(22,166)
Distributions	<u>(151,722)</u>	<u>(67,478)</u>
Balance, December 31,	<u>\$ 1,779,631</u>	<u>\$ 1,732,512</u>

NOTE 5: CASH AND INVESTMENTS

The Foundation holds and invests funds for operations and a variety of different purposes and entities. Total cash and investments at December 31, 2016 and 2015 are as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
At December 31, 2016:			
Operating, unrestricted	<u>\$ 5,155</u>	<u>\$ -</u>	<u>\$ 5,155</u>
Invested accounts:			
Foundation	\$ 8,136	\$ 131,412	\$ 139,548
Donor advised	436,554	1,905,553	2,342,107
Organization owned endowment	32,517	608,069	640,586
Organization owned donor advised Endowments	57,612	1,081,433	1,139,045
	<u>89,929</u>	<u>2,686,965</u>	<u>2,776,894</u>
	<u>\$ 624,748</u>	<u>\$ 6,413,432</u>	<u>\$ 7,038,180</u>
At December 31, 2015:			
Operating, unrestricted	<u>\$ 11,553</u>	<u>\$ -</u>	<u>\$ 11,553</u>
Invested accounts:			
Foundation	\$ 10,251	\$ 143,227	\$ 153,478
Donor advised	431,606	1,849,894	2,281,500
Organization owned endowment	62	635,159	635,221
Organization owned donor advised Endowments	98,535	998,756	1,097,291
	<u>55,903</u>	<u>2,266,142</u>	<u>2,322,045</u>
	<u>\$ 596,357</u>	<u>\$ 5,893,178</u>	<u>\$ 6,489,535</u>

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5: CASH AND INVESTMENTS (CONTINUED)

*Foundation (Unrestricted)*

Foundation funds are unrestricted cash and investments included in the investment pools.

*Donor Advised (Restricted)*

Donor advised funds are available for disbursement at the recommendation of the donor subject to approval by the Board of Directors.

*Organization Owned Endowment (Restricted)*

These assets represent endowment funds owned by other organizations who have chosen to have the Foundation invest those funds on their behalf. These are offset by the funds held for others liability.

*Organization Owned Donor Advised (Restricted)*

These assets represent unrestricted funds owned by other organizations who have chosen to have the Foundation invest those funds on their behalf. These are offset by the funds held for others liability.

*Endowment (Restricted)*

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

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 investments, the growth fund recognizes that the potential for greater returns brings with it the potential for additional risk. This fund is most appropriate for gifts which are expected to be invested for at least a term of five years. The principal objective of Fund A is total return. The target asset allocation for this portfolio is currently 75% equities, 15% fixed income, and 10% alternative investments.

*Portfolio B – Balanced Fund:* designated as a moderate mix of investments. Like Portfolio A, donors need to recognize that the potential for greater returns brings with it the potential for additional risk. This fund is most appropriate for gifts that do not expect to distribute all or part of their value within three years. The principal objective of Portfolio B is 40% equity, 43% fixed income, 15% alternative income, and 2% cash and cash equivalents.

*Portfolio C – Preservation Fund:* designated as a conservative mix of 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.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 5: CASH AND INVESTMENTS (CONTINUED)

*Portfolio D – Preservation Fund:* designated as a conservative mix of 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 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 98% fixed income and 2% cash and cash equivalents.

*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.

*Portfolio G – ESG Growth Fund:* designated as growth oriented portfolio focused on total return. The investments in this portfolio will be selected based on the premise that positive environmental, social and governance factors will lead to outperformance over time.

Investments are carried at fair value and consist of the following at December 31, 2016 and 2015:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Portfolio A	\$ 5,111,533	\$ 5,409,298	\$ 4,860,238	\$ 4,900,833
Portfolio B	1,123,848	1,145,183	1,128,220	1,112,043
Portfolio C	111,675	111,675	196,884	196,884
Portfolio D	294,145	294,145	232,606	232,606
Sweep Account	77,879	77,879	47,610	47,169
	6,719,080	7,038,180	6,465,558	6,489,535
Less restricted cash	(624,748)	(624,748)	(596,357)	(596,357)
Total investments	<u>\$ 6,094,332</u>	<u>\$ 6,413,432</u>	<u>\$ 5,869,201</u>	<u>\$ 5,893,178</u>

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 6: FAIR VALUE MEASUREMENTS

The following tables set forth by level within the fair value hierarchy (as described in Note 2) the assets measured on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
At December 31, 2016:				
Diversified Emerging Markets	\$ 359,589	\$ -	\$ -	\$ 359,589
Foreign Large Blend	1,476,472	-	-	1,476,472
Inflation-Protected Bond	162,172	-	-	162,172
Intermediate-Term Bond	484,559	-	-	484,559
Large Blend	2,279,312	-	-	2,279,312
Mid Blend	783,989	-	-	783,989
Nontraditional Bond	339,399	-	-	339,399
Small Blend	435,240	-	-	435,240
World Bond	92,700	-	-	92,700
	<u>\$ 6,413,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,413,432</u>
At December 31, 2015:				
Diversified Emerging Markets	\$ 343,226	\$ -	\$ -	\$ 343,226
Foreign Large Blend	1,481,725	-	-	1,481,725
Inflation-Protected Bond	46,175	-	-	46,175
Intermediate-Term Bond	425,354	-	-	425,354
Large Blend	2,125,246	-	-	2,125,246
Mid Blend	394,561	-	-	394,561
Nontraditional Bond	480,822	-	-	480,822
Small Blend	282,354	-	-	282,354
World Bond	313,715	-	-	313,715
	<u>\$ 5,893,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,893,178</u>

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2016 and 2015, the Foundation had temporarily restricted net assets of \$2,342,107 and \$2,281,500, respectively, which were restricted for grants to be made to non-profit organizations in future periods.

THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 8: PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2016 and 2015, the Foundation had permanently restricted net assets of \$2,776,894 and \$2,322,045, respectively, which consists of endowment funds that are required to be maintained in perpetuity.

The Board of Directors interprets the Uniform Prudent Management of Institutional Funds Act (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. 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.

The spending policy for the endowment funds allows for an annual appropriation equal to four percent of the individual account balance, based on a three-year trailing average. If those funds are not disbursed before the end of the fiscal year, they are retained as permanently restricted and subject to appropriation in the subsequent period.



THE JEWISH COMMUNITY FOUNDATION OF THE WEST

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 8: PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Endowment fund activity for the years ended December 31, 2016 and 2015 are as follows:

	Unrestricted	Permanently Restricted	Total
Balance at December 31, 2014	\$ -	\$ 2,282,322	\$ 2,282,322
Contributions	-	186,032	186,032
Interest and dividends	-	54,002	54,002
Net realized and unrealized loss	-	(107,463)	(107,463)
Disbursements	(92,848)	-	(92,848)
Net assets released from restriction	92,848	(92,848)	-
Balance at December 31, 2015	-	2,322,045	2,322,045
Contributions	-	368,536	368,536
Interest and dividends	-	59,198	59,198
Net realized and unrealized gain	-	118,886	118,886
Disbursements	(91,771)	-	(91,771)
Net assets released from restriction	91,771	(91,771)	-
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 2,776,894</u>	<u>\$ 2,776,894</u>