

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010 and 2009**

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## 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 statement of financial position of The Jewish Community Foundation of the West (A Nonprofit Organization) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

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, 2010 and 2009, and the result of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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**THE JEWISH COMMUNITY FOUNDATION OF THE WEST**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 3,625	\$ 8,526
Restricted cash and cash equivalents	343,735	460,853
Total cash and cash equivalents	<u>\$ 347,360</u>	<u>\$ 469,379</u>
Prepaid expenses	3,290	-
Total current assets	<u>\$ 350,650</u>	<u>\$ 469,379</u>
Investments, fair value (Note 4)	6,837,405	4,842,864
Office equipment, net of accumulated depreciation	<u>1,779</u>	<u>2,282</u>
Total assets	<u><u>\$ 7,189,834</u></u>	<u><u>\$ 5,314,525</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,555	\$ 1,569
Funds held for others (Note 3)	3,599,288	1,921,485
Total current liabilities	<u>\$ 3,600,843</u>	<u>\$ 1,923,054</u>
Net assets		
Unrestricted	\$ 109,113	\$ 111,830
Temporarily restricted (Note 5)	1,808,601	1,834,994
Permanently restricted (Note 6)	1,671,277	1,444,647
Total net assets	<u>\$ 3,588,991</u>	<u>\$ 3,391,471</u>
Total liabilities and net assets	<u><u>\$ 7,189,834</u></u>	<u><u>\$ 5,314,525</u></u>

See Notes to Financial Statements.

**THE JEWISH COMMUNITY FOUNDATION OF THE WEST**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Donations, pledges and support	\$ 2,497	\$ 336,420	\$ 153,497	\$ 492,414
Investment income	77,220	23,418	20,807	121,445
Net realized and unrealized gain on investments	6,783	114,989	126,973	248,745
Net assets released from restrictions	575,867	(501,220)	(74,647)	-
<b>Total public support and revenue</b>	<u>\$ 662,367</u>	<u>\$ (26,393)</u>	<u>\$ 226,630</u>	<u>\$ 862,604</u>
<b>EXPENSES</b>				
Management and general				
Audit expense	\$ 9,000	\$ -	\$ -	\$ 9,000
Investment management	24,361	-	-	24,361
Bookkeeper	4,200	-	-	4,200
Salary expense	35,175	-	-	35,175
Rent	3,600	-	-	3,600
Office expense	1,767	-	-	1,767
Insurance	1,187	-	-	1,187
Depreciation	1,846	-	-	1,846
Annual report	3,443	-	-	3,443
Outside services	432	-	-	432
Other	2,798	-	-	2,798
<b>Total management and general</b>	<u>\$ 87,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,809</u>
Foundation grantmaking	577,275	-	-	577,275
<b>Total expenses</b>	<u>\$ 665,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 665,084</u>
<b>CHANGE IN NET ASSETS</b>	\$ (2,717)	\$ (26,393)	\$ 226,630	\$ 197,520
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>111,830</u>	<u>1,834,994</u>	<u>1,444,647</u>	<u>3,391,471</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 109,113</u>	<u>\$ 1,808,601</u>	<u>\$ 1,671,277</u>	<u>\$ 3,588,991</u>

See Notes to Financial Statements.

**THE JEWISH COMMUNITY FOUNDATION OF THE WEST**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Donations, pledges and support	\$ 1,500	\$ 1,051,513	\$ 172,625	\$ 1,225,638
Investment income	59,276	50,369	44,679	154,324
Net realized and unrealized gain on investments	14,295	177,301	177,496	369,092
Net assets released from restrictions	440,676	(524,147)	(64,876)	(148,347)
<b>Total public support and revenue</b>	<u>\$ 515,747</u>	<u>\$ 755,036</u>	<u>\$ 329,924</u>	<u>\$ 1,600,707</u>
<b>EXPENSES</b>				
Management and general				
Audit expense	\$ 9,000	\$ -	\$ -	\$ 9,000
Investment management	19,641	-	-	19,641
Bookkeeper	3,675	-	-	3,675
Salary expense	22,926	-	-	22,926
Rent	2,300	-	-	2,300
Office expense	2,664	-	-	2,664
Insurance	2,218	-	-	2,218
Depreciation	1,711	-	-	1,711
Other	877	-	-	877
<b>Total management and general</b>	<u>\$ 65,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,012</u>
Foundation grantmaking	465,564	-	-	465,564
<b>Total expenses</b>	<u>\$ 530,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,576</u>
<b>CHANGE IN NET ASSETS</b>	\$ (14,829)	\$ 755,036	\$ 329,924	\$ 1,070,131
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>126,659</u>	<u>1,079,958</u>	<u>1,114,723</u>	<u>2,321,340</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 111,830</u>	<u>\$ 1,834,994</u>	<u>\$ 1,444,647</u>	<u>\$ 3,391,471</u>

See Notes to Financial Statements.

**THE JEWISH COMMUNITY FOUNDATION OF THE WEST**

**STATEMENTS OF CASH FLOWS**

**Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 197,520	\$ 1,070,131
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,846	1,711
Realized and unrealized (gain) loss on investments	(248,745)	(369,092)
Contributions restricted for permanent endowment	(153,497)	(172,625)
Investment income restricted for permanent endowment	(38,972)	(58,811)
Donated securities	(229,504)	(240,811)
(Increase) in prepaid expenses	(3,290)	-
Increase (decrease) in accounts payable	(14)	1,569
Increase (decrease) in funds held for others	1,677,803	139,174
	<u>1,203,147</u>	<u>371,246</u>
Net cash provided by operating activities	\$ 1,203,147	\$ 371,246
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	\$ (2,499,302)	\$ (1,330,273)
Proceeds from sale of investments	983,009	682,437
Purchase of fixed assets	(1,342)	-
	<u>(1,517,635)</u>	<u>(647,836)</u>
Net cash (used in) investing activities	\$ (1,517,635)	\$ (647,836)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for permanent endowment	\$ 153,497	\$ 172,625
Investment income restricted for permanent endowment	38,972	58,811
	<u>192,469</u>	<u>231,436</u>
Net cash provided by financing activities	\$ 192,469	\$ 231,436
(Decrease) in cash and cash equivalents	\$ (122,019)	\$ (45,154)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>469,379</u>	<u>514,533</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 347,360</u>	<u>\$ 469,379</u>

See Notes to Financial Statements.

# THE JEWISH COMMUNITY FOUNDATION OF THE WEST

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### 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 presented on 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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 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.

#### 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 \$100,000 on cash. At December 31, 2010 and 2009, the Foundation had demand deposits with a carrying amount of \$350,650 and \$469,379, respectively. The Foundation's custodian of securities, Charles Schwab & Co, carries additional brokerage insurance, up to \$150 million on securities and \$1 million cash, through Lloyd's of London and other London insurers as described at [www.schwab.com](http://www.schwab.com).

Fair market value of investments was \$6,837,405 and \$4,842,864 at December 31, 2010 and 2009, respectively (See Note 4).

At December 31, 2010 and 2009, cash and cash equivalents totaling \$343,735 and \$460,853 were restricted to uses stipulated by donors and approved by the Board of Directors and cash and cash equivalents totaling \$3,625 and \$8,526 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 the year ended December 31, 2010 and 2009 was \$1,846 and \$1,711, respectively.

#### INVESTMENTS

The Foundation has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, 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. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.

# 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. 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. SFAS No. 136 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.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109, Accounting For Income Taxes (FIN 48)*. FIN 48 addresses reporting and disclosure related to uncertain tax positions. Management continually evaluates tax positions reflected in the Organization’s tax filings and does not believe that any material uncertain tax positions exist.

# 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 May 31, 2011, 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, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Balance, January 1	\$ 1,921,485	\$ 1,782,311
Deposits	2,018,640	222,388
Account reclassifications	-	148,347
Investment income	104,048	81,608
Net realized and unrealized gain (loss) on investments	132,847	292,128
Investment fee	(35,247)	(24,423)
Distributions	<u>(542,485)</u>	<u>(580,874)</u>
Balance, December 31	<u>\$ 3,599,288</u>	<u>\$ 1,921,485</u>

# 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 63% equities, 7% real estate investment funds, 28% fixed income, and 2% 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 45% equities, 5% real estate investment funds, 48% fixed income, and 2% 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.

Investments are carried at fair market value. At December 31, 2010 and 2009, marketable securities, long-term investments, and restricted cash were as follows:

	<u>2010</u>	<u>2009</u>
Growth Fund Portfolio A	\$ 4,028,039	\$ 3,728,478
Balanced Fund Portfolio B	998,319	1,125,361
Preservation Fund Portfolio C	228,167	347,471
Preservation Fund Portfolio D	102,771	95,847
Fixed Income Portfolio E	1,805,019	525
State of Israel Bond Fund Portfolio F	6,028	6,035
Sweep Account	<u>12,797</u>	<u>-</u>
	\$ 7,181,140	\$ 5,303,717
Restricted cash included above	<u>(343,735)</u>	<u>(460,853)</u>
Total investments, market value	<u>\$ 6,837,405</u>	<u>\$ 4,842,864</u>

### NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2010 and 2009, the Foundation had temporarily restricted net assets of \$1,808,601 and \$1,834,994, 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, 2010 and 2009, the Foundation held permanently restricted net assets of \$1,671,277 and \$1,444,647, 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.