

# **JEWISH FEDERATION OF GREATER LONG BEACH AND WEST ORANGE COUNTY AND JEWISH COMMUNITY FOUNDATION**

## **CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2018

(with comparative totals for 2017)

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Jewish Federation of Greater Long Beach and West Orange County  
and Jewish Community Foundation

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Jewish Federation of Greater Long Beach and West Orange County and Jewish Community Foundation (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Federation of Greater Long Beach and West Orange County and Jewish Community Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules on pages 28 and 29 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

## **Report on Summarized Comparative Information**

We have previously audited the Jewish Federation of Greater Long Beach and West Orange County and Jewish Community Foundation's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Winder, Inc.*

Long Beach, California  
November 28, 2018

**JEWISH FEDERATION OF GREATER LONG BEACH  
AND WEST ORANGE COUNTY  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

**ASSETS**

	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 868,976	\$ 1,113,988
Investments (Note 4)	16,859,918	16,566,102
Pledges and other receivables, net (Note 2)	484,394	527,139
Prepaid expenses	8,510	14,276
Property and equipment, net (Note 3)	8,895,221	6,931,761
Cash surrender value of life insurance	331,040	315,176
Charitable remainder trust assets - held for others	1,205,393	1,147,234
<b>TOTAL ASSETS</b>	<b>\$ 28,653,452</b>	<b>\$ 26,615,676</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 64,021	\$ 230,614
Jewish Federations of North America payable	116,584	117,816
Grants payable	182,568	175,372
AJCC payable	282,000	282,000
Capital lease obligation (Note 8)	1,438,733	-
Funds held on behalf of other organizations	2,622,531	2,362,380
Charitable remainder trust liability - held for others	1,205,393	1,147,234
Total Liabilities	5,911,830	4,315,416

**COMMITMENTS AND CONTINGENCIES (Note 8)**

<b>NET ASSETS (Note 6)</b>		
Unrestricted	8,592,182	8,172,769
Unrestricted - board-designated	2,118,800	1,998,889
	10,710,982	10,171,658
Temporarily restricted	4,524,054	4,541,752
Permanently restricted	7,506,586	7,586,850
Total Net Assets	22,741,622	22,300,260
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 28,653,452</b>	<b>\$ 26,615,676</b>

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

**JEWISH FEDERATION OF GREATER LONG BEACH  
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**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

	2018			Total	2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>SUPPORT AND REVENUE</b>					
Contributions	\$ 1,241,778	\$ 853,673	\$ 24,736	\$ 2,120,187	\$ 1,989,740
Investment return	255,618	532,044	-	787,662	1,527,389
Jewish Community					
Chronicle	74,745	-	-	74,745	65,456
Special event, net	-	-	-	-	119,103
Programmatic events	128,011	-	-	128,011	84,878
Other income	468,903	-	-	468,903	470,673
Donor directed transfer of net assets	-	105,000	(105,000)	-	-
Net assets released from restrictions	1,508,415	(1,508,415)	-	-	-
Total Support and Revenue	<u>3,677,470</u>	<u>(17,698)</u>	<u>(80,264)</u>	<u>3,579,508</u>	<u>4,257,239</u>
<b>EXPENSES</b>					
Program services	2,398,774	-	-	2,398,774	2,443,038
General and administrative	414,205	-	-	414,205	329,916
Fundraising expenses	325,167	-	-	325,167	376,770
Total Expenses	<u>3,138,146</u>	<u>-</u>	<u>-</u>	<u>3,138,146</u>	<u>3,149,724</u>
<b>CHANGE IN NET ASSETS</b>	539,324	(17,698)	(80,264)	441,362	1,107,515
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>10,171,658</u>	<u>4,541,752</u>	<u>7,586,850</u>	<u>22,300,260</u>	<u>21,192,745</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 10,710,982</u>	<u>\$ 4,524,054</u>	<u>\$ 7,506,586</u>	<u>\$ 22,741,622</u>	<u>\$ 22,300,260</u>

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

**JEWISH FEDERATION OF GREATER LONG BEACH  
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**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

	2018						2017
	External Allocations	Outreach	Total Program	General and Administrative	Fundraising	Total	
Salaries and wages	\$ -	\$ 149,005	\$ 149,005	\$ 264,573	\$ 173,058	\$ 586,636	\$ 580,863
Payroll taxes	-	10,681	10,681	18,966	12,405	42,052	41,039
Employment benefits	-	28,468	28,468	50,548	33,063	112,079	113,653
Total salaries, wages, and benefits	-	188,154	188,154	334,087	218,526	740,767	735,555
Allocations and grants	1,236,103	-	1,236,103	-	-	1,236,103	1,397,675
Campus maintenance	-	353,570	353,570	-	-	353,570	336,433
Computers	-	7,149	7,149	12,694	8,303	28,146	38,289
Conference	-	1,875	1,875	3,329	2,177	7,381	5,360
Credit card fees	-	-	-	-	16,776	16,776	15,932
Insurance	-	36,497	36,497	4,702	10,739	51,938	48,709
Miscellaneous	8,384	87	8,475	177	93	8,745	-
Newspaper expense	-	55,427	55,427	-	-	55,427	44,707
Occupancy expense	-	12,243	12,243	-	-	12,243	9,130
Office expense	-	2,699	3,699	5,358	2,329	11,386	11,154
Professional services	-	7,555	7,555	45,473	8,774	61,802	30,953
Program events	-	40,260	40,260	-	52,058	92,318	100,589
Depreciation	443,082	4,685	447,767	8,385	5,392	461,544	375,238
Total Expenses	<u>\$ 1,687,569</u>	<u>\$ 710,201</u>	<u>\$ 2,398,774</u>	<u>\$ 414,205</u>	<u>\$ 325,167</u>	<u>\$ 3,138,146</u>	<u>\$ 3,149,724</u>

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

**JEWISH FEDERATION OF GREATER LONG BEACH  
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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 441,362	\$ 1,107,515
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	461,544	375,238
Net realized and unrealized (gains)/losses	158,966	(794,887)
Contributions restricted to endowment funds	(24,736)	(147,114)
Changes in operating assets and liabilities:		
Pledges and other receivables	42,745	136,113
Prepaid expenses	5,766	13,829
Cash surrender value of life insurance	(15,864)	(13,631)
Accounts payable and accrued liabilities	(166,593)	28,784
Jewish Federations of North America payable	(1,232)	(9,078)
Grants payable	7,196	(34,660)
Net Cash Provided By Operating Activities	909,154	662,109
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(925,004)	(262,549)
Proceeds from sales of investments	4,881,908	16,220,347
Purchases of investments	(5,334,690)	(16,831,934)
Net Cash Used In Investing Activities	(1,377,786)	(874,136)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on captial lease obligation	(61,267)	-
Contributions restricted to endowment funds	24,736	147,114
Funds held on behalf of other organizations	260,151	152,166
Net Cash Provided By Financing Activities	223,620	299,280
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(245,012)	87,253
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,113,988	1,026,735
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 868,976	\$ 1,113,988

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

**JEWISH FEDERATION OF GREATER LONG BEACH  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

**NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies**

*Nature of Business and Basis of Consolidation*

The Jewish Federation of Greater Long Beach and West Orange County (Federation) and Jewish Community Foundation (Foundation) (collectively the “Organization”) are nonprofit organizations dedicated to promoting charitable activities that affect the Jewish community of the greater Long Beach and West Orange County, California areas. The Jewish Federation of Greater Long Beach and West Orange County exercises sufficient control over Jewish Community Foundation to require the consolidation of the two organization’s financial statements.

*Principles of Consolidation*

The consolidated financial statements include the accounts of the Federation and its wholly owned subsidiary Foundation. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

*Basis of Accounting*

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Financial Statement Presentation*

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions related to contributions.

**Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

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**NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies  
(Continued)**

*Financial Statement Presentation (Continued)*

**Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions. However, donor-imposed stipulations on contributions whose stipulations are met in the same reporting period are recorded as unrestricted net assets.

**Permanently Restricted Net Assets** – Net assets for which the donor has stipulated that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

*Prior-Period Information*

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2017, from which the summarized information was derived.

*Use of Estimates and Assumptions*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in these financial statements include the present value and collectability of receivables, fair market value of investments, and the estimated useful lives of property and equipment. Actual results could differ from those estimates.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies  
(Continued)**

*Contributions and Promises to Give*

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. All donations are considered to be available for unrestricted use unless specifically restricted by the donor. Other noncash donations are recorded as donations at their estimated fair values at the date of donation as an increase in unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions. Donations of investment securities were made during the year. These securities were sold contemporaneously upon being donated. There were no other significant in-kind contributions of assets during the year. The Organization contributed use of its building to the Alpert Jewish Community Center (AJCC), Jewish Family and Children's Service (JFCS), and Hillel totaling approximately \$351,000 and \$350,000 for the years ended June 30, 2018 and 2017, respectively, which is included in the consolidated statement of activities, as both other income and programs services expense.

*Donated Materials and Services*

The value of significant donated materials and services is reflected in the accompanying statement of activities. Materials and use of facilities contributions to the Organization are recognized and recorded at fair value as of the contribution date. The Organization accounts for contributed services received in connection with the active participation by volunteers in the Organization's service programs as well as for contributed services received from various organizations in connection with management, and general activities. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Management estimates the fair value of such services at the date of donation.

*Special Event*

The Organization periodically holds special events, including the Legacy of Leadership event held during the year ended June 30, 2017. Revenue from the event is presented net of expenses incurred of \$92,371 in the consolidated statement of activities for the year ended June 30, 2017.

No special events were held during year ended June 30, 2018.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies  
(Continued)**

*Cash and Cash Equivalents*

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At June 30, 2018 and throughout the year, the Organization maintained balances in various operating and money market accounts in excess of federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

*Pledges and Other Receivables*

Unconditional promises to give (pledges) are recorded as receivables and contributions, distinguishing between contributions received for each net asset class in accordance with donor-imposed restrictions. An allowance for uncollectible contributions receivable is provided, based on management’s judgment, including such factors as prior collection history, type of contribution, nature of fundraising activity, and when time requirements are expected to be met. At June 30, 2018, all pledges are due within one year.

*Property and Equipment*

Land, buildings and improvements, equipment, and furniture and fixtures are recorded at cost or, for those assets acquired by gift, the estimated fair market value at the date of donation. Land is not depreciated. Depreciation of building, equipment, and furniture and fixtures is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment held under capital leases are amortized on the straight-line basis using the shorter of the useful lives of the assets or the lease terms. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Buildings and improvements	15-40
Solar equipment	25
Furniture, fixtures, and equipment	5-15
Computer equipment	3-7

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies  
(Continued)**

*Cash Surrender Value of Life Insurance*

The Organization has been named as the owner and beneficiary of life insurance policies from donors. The donors contribute the annual premium to maintain the policies. The Organization has recorded as an asset the cash surrender value and any prepaid premiums associated with these policies.

*Charitable Remainder Trust Asset and Liability*

The Organization is named as the remainderman beneficiary of trusts, which allows the trustee to change the remainderman beneficiary at will. The assets of these trusts are investments recorded at their fair market value of \$1,205,393 in the consolidated statement of financial position. Since the pledge is revocable, a corresponding liability for \$1,205,393 has been recorded and no income has been recognized related to this trust.

*Funds Held on Behalf of Other Organizations*

Other organizations within the Jewish community have deposited monies with the Organization to hold and manage as investments. Investment income (expense) related to these monies is recorded as an increase (decrease) to this account. These funds are included in investments on the consolidated statement of financial position.

*Jewish Federations of North America Payable*

The Jewish Federations of North America is a national fund-raising body associated with local Jewish Federations. It provides support to the local Jewish community, as well as support for Jewish agencies in Israel and other overseas locations. The Jewish Federations of North America collects funds from local federations based upon a percentage of expected annual pledge campaign collections. Unpaid portions of this amount are recorded as payable in the consolidated statement of financial position.

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**NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies  
(Continued)**

***AJCC Payable***

The Alpert Jewish Community Center advanced \$310,500 to the Organization to provide a portion of the funding necessary to renovate certain areas of the Weinberg Jewish Federation Campus. Their advance does not provide for any interest to be paid on the outstanding balance. It also does not provide for a specific time frame for repayment, except to the extent funds are available from the Fund For Our Future Capital Campaign. The Organization has repaid \$28,500 of the balance since inception. As of June 30, 2018 and 2017, the outstanding balance is \$282,000.

***Income Taxes***

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Organization is subject to income taxes on any net income that is derived from trade or business regularly carried on and not in the furtherance of the purposes for which it was granted exemption. Management believes that the Organization has not received income from any unrelated trade or business and, as such, no income tax provision has been recorded on the Organization's financial statements.

The Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. To date, the Organization has not recorded any uncertain tax positions. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California is four years.

***Allocation of Functional Expenses***

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time spent by employees on various activities.

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**NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies  
(Continued)**

***Recently Issued Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606) (ASU 2014-09)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact that the standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842) (ASU 2016-02)*. The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

In August 2016, the FASB released ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The update amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes relate to: (a) presentation of classes of net assets, (b) the presentation of underwater endowment funds and related disclosures, (c) recognition of the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) statement of functional expense, (e) disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and a few smaller items. The ASU is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

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**NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies  
(Continued)**

***Recently Issued Accounting Pronouncements (Continued)***

In June 2018, the FASB issues ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

***Subsequent Events***

The Organization has evaluated subsequent events from the statement of financial position date through November 28, 2018, the date at which the consolidated financial statements were available to be issued.

On March 6, 2018, the Organization entered into an agreement with the Long Beach Jewish Community Senior Housing Corporation (Federation Towers). Federation Towers was formed by members of the Organization as an entity that would develop, build and manage a low-income apartment building on land conveyed to it by the Organization. Federation Towers currently owns a 50-unit apartment building, but wishes to sell the building and transfer the proceeds to the Organization. In June 2018, Federation Towers entered into an agreement for the sale of the 50-unit apartment building with a third-party buyer. As of the date the consolidated financial statements were available to be issued, the sale has not been finalized.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 2 – Pledges and Other Receivables**

At June 30, 2018 and 2017, pledges and other receivables consisted of the following:

	<u>2018</u>	<u>2017</u>
Campaign pledges	\$ 289,868	\$ 278,513
New Campus pledges	5,000	65,000
Supplemental pledges	116,747	113,425
Fund for Our Future	9,200	13,300
Other	98,938	158,134
Allowance for uncollectible accounts	<u>(35,359)</u>	<u>(101,233)</u>
	<u>\$ 484,394</u>	<u>\$ 527,139</u>

**NOTE 3 – Property and Equipment**

At June 30, 2018 and 2017, property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 12,725,609	\$ 11,829,949
Furniture, fixtures, and equipment	2,267,592	2,104,480
Solar equipment	1,500,000	-
Computer equipment	50,214	66,758
	<u>16,543,415</u>	<u>14,001,187</u>
Accumulated depreciation and amortization	<u>(7,684,034)</u>	<u>(7,256,190)</u>
	8,859,381	6,744,997
Construction in progress	-	150,924
Land	<u>35,840</u>	<u>35,840</u>
	<u>\$ 8,895,221</u>	<u>\$ 6,931,761</u>

For the years ended June 30, 2018 and 2017, depreciation and amortization expense for property and equipment amounted to \$461,544 and \$375,238, respectively.

At June 30, 2018, the gross amount of property and equipment and related accumulated amortization recorded under a capital lease was \$1,500,000 and \$30,000, respectively.

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**NOTE 4 – Fair Value Measurements**

The Organization follows ASC 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC 820 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) and the lowest priority to measurements involving significant unobservable inputs (level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets that are measured at fair value on a recurring basis:

	<b>Assets at Fair Value as of June 30, 2018</b>			
	<u><b>Total</b></u>	<u><b>Level 1</b></u>	<u><b>Level 2</b></u>	<u><b>Level 3</b></u>
Equities				
Domestic	\$ 2,570,724	\$ 2,570,724		
Foreign	6,586,184	6,586,184		
Fixed income	7,671,962	7,671,962		
Alternative investments	<u>31,048</u>	<u>-</u>		<u>\$ 31,048</u>
	<u><b>\$ 16,859,918</b></u>	<u><b>\$ 16,828,870</b></u>	<u><b>None</b></u>	<u><b>\$ 31,048</b></u>

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**NOTE 4 – Fair Value Measurements (Continued)**

	<b>Assets at Fair Value as of June 30, 2017</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Equities				
Domestic	\$ 2,939,962	\$ 2,939,962		
Foreign	6,967,839	6,967,839		
Fixed income	6,627,253	6,627,253		
Alternative investments	31,048	-		\$ 31,048
	<u>\$ 16,566,102</u>	<u>\$ 16,535,054</u>	<u>None</u>	<u>\$ 31,048</u>

Investment return is comprised of the following items for the years ended June 30, 2018 and 2017.

	<b>2018</b>	<b>2017</b>
Realized and unrealized gain (loss)	\$ (158,966)	\$ 794,887
Interest and dividends, net	946,628	732,502
	<u>\$ 787,662</u>	<u>\$ 1,527,389</u>

Investment manager's fees are charged to and paid by the mutual funds in which the Organization has invested and are netted with interest and dividend income.

**NOTE 5 – Retirement Plan**

The Organization contributes to a 403(b) retirement plan (the Plan) for the benefit of all eligible employees, as defined. The Organization's annual contribution to the Plan totals 3% of eligible employees' gross wages and totaled \$18,183 for the year ended June 30, 2018. Employees are fully vested after three years of credited service.

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**NOTE 6 – Net Assets**

The following is a summary of the Organization’s unrestricted, temporarily, and permanently restricted net assets:

*Unrestricted Net Assets*

At June 30, 2018 and 2017, unrestricted net assets consisted of the following unrestricted and unrestricted-board-designated funds:

	<u>2018</u>	<u>2017</u>
Jewish Federation of Greater Long Beach and West Orange County		
General Unrestricted Fund	\$ 8,005,999	\$ 7,640,102
Eva Cooper Fund	309,478	325,915
Rhoda Alban Fund	212,012	202,498
Tess Wohlstattar Fund	21,027	20,083
Marie Sires Fund	308,476	324,958
Operations Loan Fund	63,500	-
I.W. Gittleman Fund	453,129	416,437
Total unrestricted - board-designated	<u>1,367,622</u>	<u>1,289,891</u>
	<u>9,373,621</u>	<u>8,929,993</u>
Jewish Community Foundation		
General Unrestricted Fund	<u>586,183</u>	<u>532,667</u>
Bob Baldwin Memorial Fund	334,477	320,421
Esther & George Albert Fund	24,867	-
Francis Brody Fund	339,716	334,022
Fund for Our Future	19,760	23,649
Hedwig Meyerfield Fund	32,358	30,906
Total unrestricted - board-designated	<u>751,178</u>	<u>708,998</u>
	<u>1,337,361</u>	<u>1,241,665</u>
	<u>\$ 10,710,982</u>	<u>\$ 10,171,658</u>

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**NOTE 6 – Net Assets (Continued)**

*Temporarily Restricted Net Assets*

At June 30, 2018 and 2017, temporarily restricted net assets consisted of contributions that have been restricted for a specific use in the next fiscal year-end or thereafter:

	<b>2018</b>	<b>2017</b>
Jewish Federation of Greater Long Beach and West Orange County		
Campus Maintenance Fund	\$ -	\$ 261,523
Fund for Our Future - Capital Campaign	16,114	117,400
Fund for Our Future - Operations	74,418	102,890
Fund for Our Future - Solar Project	280,000	350,000
I. W. Gittleman Building & Grounds Fund	315,645	359,520
Alpert Leadership Development Fund	10,072	14,564
Lentzner Fellows Program Fund	34,569	25,855
	730,818	1,231,752
Jewish Community Foundation		
Alpert Leadership Development Fund	208,855	206,148
Arlene & Richard Freeman Family Fund	152,645	-
Arlene Solomon Women's Philanthropy Fund	117,037	111,784
Breslauer Soref B'Nai Tzedek Philanthropic Fund	26,484	25,105
Emergency Relief Fund	8,760	8,367
Hebrew Academy Security Fund	12,841	12,265
Jean & Robert Blakey Fund	18,148	17,907
Jewish Community Security Fund	24,348	30,888
Philanthropic Funds	1,452,239	1,207,037
Dr. Jack & Karen Rabin Campus Building Fund	106,587	151,127
Dr. Jack & Karen Rabin Israel Goldstein Fund	10,294	29,253
Rabbi Howard Laibson Campership Fund	18,131	17,317
Maurice & Miriam Cohn Fund	26,579	25,386
Weinberg Federation Campus Fund	103,652	99,001
Speizer Family Fund	229,119	218,837
Tilly Weil Fund	47,974	45,689
Gerda Seifer Yom Ha Shoah Fund	30,566	31,681
Cumulative income available for spending from endowments	1,198,977	1,072,208
	3,793,236	3,310,000
	\$ 4,524,054	\$ 4,541,752

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**NOTE 6 – Net Assets (Continued)**

*Permanently Restricted Net Assets*

At June 30, 2018 and 2017, permanently restricted net assets consist of the following funds:

	<u>2018</u>	<u>2017</u>
Jewish Community Foundation		
Anne Licht Leadership Endowment	\$ 63,649	\$ 63,613
Annual Campaign Speaker Endowment	36,326	36,326
Arlene Solomon Endowment	150,000	150,000
Barbara Alpert Sharon Carmel Hadassah Endowment	50,500	50,500
Barbara & Raymond Alpert Endowment	581,197	581,197
Barbara Alpert National Council of Jewish Women Endowment	50,093	50,093
Clarence & Minnie Schulman Endowment	95,467	95,467
Dr. Jeffrey Levin Federation Volunteers Endowment	13,645	13,645
Einstein Tolerance & Holocaust Educ Endowment	10,000	10,000
Eva Cooper Hillel Endowment	1,056,792	1,056,792
Eva Cooper Hillel Program Endowment	74,400	74,400
Evelyn Linden Baldwin Endowment	14,724	14,724
Fred Neuberger Community Leadership Development Endowment	41,529	41,529
Friends of JFCS Endowment	25,000	25,000
Honigman Family Endowment	12,018	5,000
Israel Experience Endowment	23,061	23,061
Jack & Rena Jacobs Housing Endowment	440,960	440,960
JFCS Endowment	13,087	13,087
Joan & Daniel Leb Family Endowment	10,000	10,000
LOJE-Anne Licht Endowment	102,156	102,156
LOJE-Barbara Alpert Endowment	400,000	400,000
LOJE-Ethel Lessin Endowment	100,000	100,000
LOJE-Arlene Solomon Endowment	200,000	200,000
LOJE-Shirley Ross Endowment	40,000	40,000
Madelyn & Benjamin Chudnow Endowment	1,420,024	1,420,024
Marcie Balan Blakey Endowment	9,975	9,975
PACE-Arlene & Richard Freeman	-	105,000

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**NOTE 6 – Net Assets (Continued)**

*Permanently Restricted Net Assets (Continued)*

	<u>2018</u>	<u>2017</u>
PACE-Evelyn Baldwin Endowment	50,000	50,000
PACE-Britton Family Endowment	65,054	65,054
PACE-Dr. Jack Rabin Endowment	103,627	103,627
PACE-Ettie Councilman	8,000	-
PACE-Juliette Venitsky Endowment	5,000	5,000
PACE-Joe Lessin Endowment	125,169	125,169
PACE-Ray Alpert Endowment	476,714	476,714
PACE-Ruth Davis Endowment	40,000	40,000
PACE-Sara & Milton Kaplan Endowment	126,315	126,315
PACE-Sid Schulman Endowment	100,000	100,000
PACE-Schmerler Endowment	10,000	10,000
PACE-Stan & Miriam Goldin Endowment	17,365	17,365
Phil & Gloria Furst Hillel Endowment	92,623	92,623
R & A Brooks Endowment	9,682	-
Romola & Eugene Temkin Endowment	20,000	20,000
Ross Family Endowment	51,772	51,772
Ruth & Louis Davis Leadership Dev Endowment	150,000	150,000
Ruth & Louis Davis Transportation Endowment	154,400	154,400
Sol Levin Endowment	121,965	121,965
Stanley Butler Memorial Endowment	10,000	10,000
Teddie & Sam Roska Rosh Hashannah Lunch Endow	5,000	5,000
Tilly Weil Campus Endowment	644,297	644,297
William Ross Endowment	85,000	85,000
	<u>\$ 7,506,586</u>	<u>\$ 7,586,850</u>

During the year ended June 30, 2018, the donors of a single PACE fund requested the transfer of funds out of the permanently restricted endowment into temporarily restricted net assets for a like purpose of the original fund.

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**NOTE 7 – Endowments**

The Foundation has endowment funds to provide for the ongoing operations and programs of the Organization and organizations it supports.

*Interpretation of Laws and Accounting Guidance*

The Organization's governing board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the state of California as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable 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 is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the Organization 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 appreciation of investments
6. Other resources of the Organization
7. The Organization's investment policies

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**NOTE 7 – Endowments (Continued)**

***Funds with Deficiencies***

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. Deficiencies of this nature, which are reported in unrestricted net assets, aggregated \$80,564 and \$96,866 as of June 30, 2018 and 2017, respectively. These deficiencies resulted principally from investment losses and continued appropriation for certain programs that was deemed prudent by the Organization. Subsequent gains that restore the fair value of the assets of these endowment funds to their historic dollar value will be classified as increases in unrestricted net assets.

***Return Objectives and Risk Parameters***

The Organization has adopted policies to guide it in considering the above factors in managing its endowment funds. The Organization follows a spending policy for these endowments to provide for the ongoing funding of programs that the endowments exist to fund. The Organization also adheres to investment policies that are followed in determining investment selections to achieve prudent long-term return objectives within prudent risk parameters.

***Strategies Employed for Achieving Objectives***

The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). On occasion, investment market conditions may cause cumulative net investment losses which are charged to unrestricted net assets and recoverable from future investment income earned by the endowment funds.

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**NOTE 7 – Endowments (Continued)**

***Spending Policy and How Investment Objectives Relate to Spending Policy***

The Organization has a spending policy that helps to ensure the proper management of long-term investment assets and the apportionment of these resources between current and future funding needs. The spending policy, which determines the amount that is to be spent annually, is designed to provide a relatively predictable stream of revenue to meet required spending, as well as to preserve and increase the value of the investment pools in the future.

The Board has adopted a long-term targeted spending rate of 4% of such funds. This percentage is measured by the trailing 16 quarters average market value. While 4% is the targeted spending rate of the Organization, in the annual review of the application of the spending rate policy, the Board will consider the overall health of the Organization's asset base and other resources the Organization may have in setting the annual spending amount. In general, spending rates higher than 5% will not be permissible.

***Composition of Endowments and Current-Year Activity***

The Organization's investment policy target strategies are as follows:

Domestic equities	20-40%
Global equities	5-25%
International equities	5-30%
Fixed income	25-40%
Alternative investments	0-20%

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**NOTE 7 – Endowments (Continued)**

*Composition of Endowments and Current-Year Activity (Continued)*

Endowment net asset composition by class as of June 30, 2018 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (80,564)	\$ 1,198,977	\$ 7,506,586	\$ 8,624,999
Total endowments	<u>\$ (80,564)</u>	<u>\$ 1,198,977</u>	<u>\$ 7,506,586</u>	<u>\$ 8,624,999</u>

Changes in endowment net assets for the fiscal year ended June 30, 2018 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ (96,866)	\$ 1,072,208	\$ 7,586,850	\$ 8,562,192
Investment return:				
Investment income	19,592	571,416	-	591,008
Realized and unrealized loss on investments	<u>(3,290)</u>	<u>(95,957)</u>	<u>-</u>	<u>(99,247)</u>
	<u>16,302</u>	<u>475,459</u>	<u>-</u>	<u>491,761</u>
Contributions	<u>-</u>	<u>-</u>	<u>24,736</u>	<u>24,736</u>
Donor release of permanently restricted	<u>-</u>	<u>-</u>	<u>(105,000)</u>	<u>(105,000)</u>
Appropriation of donor restricted endowment earnings	<u>-</u>	<u>(348,690)</u>	<u>-</u>	<u>(348,690)</u>
Endowment net assets, June 30, 2018	<u>\$ (80,564)</u>	<u>\$ 1,198,977</u>	<u>\$ 7,506,586</u>	<u>\$ 8,624,999</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 8 – Commitments and Contingencies**

*Capital Lease*

On March 29, 2017, the Organization entered into a purchase agreement with an investor who has agreed to install a solar system and related equipment totaling approximately \$1,500,000. The agreement ends upon the twenty-five year anniversary of the date that the solar system is turned on and generating power. The investor shall sell and the Organization shall purchase electricity at a cost of \$0.0993 per kilowatt-hour produced and consumed, to be payable in five annual installment amounts of \$70,000 beginning one year after the date that the solar system is turned on and generating power. Over the next twenty annual installments, the cost will increase to \$0.1820 per kilowatt-hour, increasing three percent annually until the expiration of the agreement. The construction of the solar system was completed in February 2018.

The Company leases certain equipment under noncancelable operating leases. Related lease expense totaled \$70,000 during the year ended June 30, 2018.

A summary of all lease commitments in excess of one year is as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2019	\$ 70,000
2020	70,000
2021	70,000
2022	70,000
2023	126,459
Thereafter	<u>3,099,010</u>
Total minimum lease payments	3,505,469
Less amount representing interest	<u>(2,066,736)</u>
Present value of minimum capital lease payments	<u>\$ 1,438,733</u>

The Organization subleases solar to Alpert Jewish Community Center (AJCC) on a month-to-month basis. The total amount of solar payments received from AJCC was approximately \$30,000.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 8 – Commitments and Contingencies (Continued)**

*Legal Matters*

From time to time, the Organization is involved in certain legal proceedings and claims which arise in the normal course of business. Management does not believe that the outcome of these or any matters will have a material effect on the Organization's statements of financial position or activities.

**SUPPLEMENTARY INFORMATION**

**JEWISH FEDERATION OF GREATER LONG BEACH  
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**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018**

	Jewish Federation of Greater Long Beach and West Orange County	Jewish Community Foundation	Eliminations	Consolidated Amounts
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 662,955	\$ 206,021	\$ -	\$ 868,976
Investments	1,958,210	16,828,870	(1,927,162)	16,859,918
Pledges and other receivables, net	460,338	24,056	-	484,394
Prepaid expenses	8,510	-	-	8,510
Property and equipment, net	8,895,221	-	-	8,895,221
Cash surrender value of life insurance	199,360	131,680	-	331,040
Charitable remainder trust assets	-	1,205,393	-	1,205,393
<b>TOTAL ASSETS</b>	<b>\$ 12,184,594</b>	<b>\$ 18,396,020</b>	<b>\$ (1,927,162)</b>	<b>\$ 28,653,452</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 60,271	\$ 3,750	\$ -	\$ 64,021
Jewish Federations of North America payable	116,584	-	-	116,584
Grants payable	182,568	-	-	182,568
AJCC payable	282,000	-	-	282,000
Capital lease obligation	1,438,733	-	-	1,438,733
Funds held on behalf of other organizations	-	4,549,693	(1,927,162)	2,622,531
Charitable remainder trust liability	-	1,205,393	-	1,205,393
Total Liabilities	2,080,156	5,758,836	(1,927,162)	5,911,830
<b>NET ASSETS</b>				
Unrestricted	8,005,999	586,183	-	8,592,182
Unrestricted - board-designated	1,367,622	751,178	-	2,118,800
	9,373,621	1,337,361	-	10,710,982
Temporarily restricted	730,818	3,793,236	-	4,524,054
Permanently restricted	-	7,506,586	-	7,506,586
Total Net Assets	10,104,439	12,637,183	-	22,741,622
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,184,595</b>	<b>\$ 18,396,019</b>	<b>\$ (1,927,162)</b>	<b>\$ 28,653,452</b>

See Independent Auditors' Report

**JEWISH FEDERATION OF GREATER LONG BEACH  
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**CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	Jewish Federation of Greater Long Beach and West Organge County			Jewish Community Foundation			Eliminations	Total	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted			
<b>SUPPORT AND REVENUE</b>									
Contributions	\$ 1,722,735	\$ 73,524	\$ 1,796,259	\$ 12,351	\$ 780,149	\$ 24,736	\$ 817,236	\$ (493,308)	\$ 2,120,187
Investment income	101,904	-	101,904	153,714	532,044	-	685,758	-	787,662
Jewish Community Chronicle	74,745	-	74,745	-	-	-	-	-	74,745
Special event, net	-	-	-	-	-	-	-	-	-
Programmatic events	128,011	-	128,011	-	-	-	-	-	128,011
Other income	596,481	-	596,481	66,422	-	-	66,422	(194,000)	468,903
Donor directed transfer of net assets	-	-	-	-	105,000	(105,000)	-	-	-
Net assets released from restrictions	574,458	(574,458)	-	933,957	(933,957)	-	-	-	-
	<u>3,198,334</u>	<u>(500,934)</u>	<u>2,697,400</u>	<u>1,166,444</u>	<u>483,236</u>	<u>(80,264)</u>	<u>1,569,416</u>	<u>(687,308)</u>	<u>3,579,508</u>
<b>EXPENSES</b>									
Program	2,038,735	-	2,038,735	904,413	-	-	904,413	(544,374)	2,398,774
General and administrative	393,017	-	393,017	107,600	-	-	107,600	(86,412)	414,205
Fundraising	322,954	-	322,954	58,735	-	-	58,735	(56,522)	325,167
	<u>2,754,706</u>	<u>-</u>	<u>2,754,706</u>	<u>1,070,748</u>	<u>-</u>	<u>-</u>	<u>1,070,748</u>	<u>(687,308)</u>	<u>3,138,146</u>
<b>CHANGE IN NET ASSETS</b>	443,628	(500,934)	(57,306)	95,696	483,236	(80,264)	498,668	-	441,362
<b>BEGINNING NET ASSETS</b>	<u>8,929,993</u>	<u>1,231,752</u>	<u>10,161,745</u>	<u>1,241,665</u>	<u>3,310,000</u>	<u>7,586,850</u>	<u>12,138,515</u>	<u>-</u>	<u>22,300,260</u>
<b>ENDING NET ASSETS</b>	<u>\$ 9,373,621</u>	<u>\$ 730,818</u>	<u>\$ 10,104,439</u>	<u>\$ 1,337,361</u>	<u>\$ 3,793,236</u>	<u>\$ 7,506,586</u>	<u>\$ 12,637,183</u>	<u>\$ -</u>	<u>\$ 22,741,622</u>

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