

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

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

(With Comparative Totals for 2016)

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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, 2017, 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, 2017, 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 27 and 28 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

The consolidated financial statements of the Jewish Federation of Greater Long Beach and West Orange County and Jewish Community Foundation, as of and for the year ended June 30, 2016, were audited by other auditors whose report dated November 1, 2016 expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Winder, Inc.

Long Beach, California
November 10, 2017

**JEWISH FEDERATION OF GREATER LONG BEACH
AND WEST ORANGE COUNTY
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

ASSETS

	June 30,	
	2017	2016
Cash and cash equivalents	\$ 1,113,988	\$ 1,026,735
Investments (Note 4)	16,566,102	15,159,629
Pledges and other receivables, net (Note 2)	527,139	663,252
Prepaid expenses	14,276	28,105
Property and equipment, net (Note 3)	6,931,761	6,893,525
Cash surrender value of life insurance	315,176	301,545
Charitable remainder trust assets - held for others	1,147,234	1,122,078
TOTAL ASSETS	\$ 26,615,676	\$ 25,194,869

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 230,614	\$ 50,906
Jewish Federations of North America payable	117,816	126,894
Grants payable	175,372	210,032
AJCC payable	282,000	282,000
Funds held on behalf of other organizations	2,362,380	2,210,214
Charitable remainder trust liability - held for others	1,147,234	1,122,078
Total Liabilities	4,315,416	4,002,124
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS		
Unrestricted (Note 6)	8,172,769	7,551,043
Unrestricted - board-designated (Note 6)	1,998,889	1,836,822
	10,171,658	9,387,865
Temporarily restricted (Note 6)	4,541,752	4,365,144
Permanently restricted (Note 6)	7,586,850	7,439,736
Total Net Assets	22,300,260	21,192,745
TOTAL LIABILITIES AND NET ASSETS	\$ 26,615,676	\$ 25,194,869

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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

	2017				2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
SUPPORT AND REVENUE					
Contributions	\$ 939,030	\$ 903,596	\$ 147,114	\$ 1,989,740	\$ 2,082,595
Investment return	619,559	907,830	-	1,527,389	(77,712)
Jewish Community Chronicle	65,456	-	-	65,456	61,350
Special event, net	119,103	-	-	119,103	-
Programmatic events	84,878	-	-	84,878	38,772
Other income	470,673	-	-	470,673	383,361
Net assets released from restrictions	<u>1,634,818</u>	<u>(1,634,818)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>3,933,517</u>	<u>176,608</u>	<u>147,114</u>	<u>4,257,239</u>	<u>2,488,366</u>
EXPENSES					
Program services	2,443,038	-	-	2,443,038	2,162,312
General and administrative expenses	329,916	-	-	329,916	271,831
Fundraising expenses	<u>376,770</u>	<u>-</u>	<u>-</u>	<u>376,770</u>	<u>435,433</u>
TOTAL EXPENSES	<u>3,149,724</u>	<u>-</u>	<u>-</u>	<u>3,149,724</u>	<u>2,869,576</u>
CHANGE IN NET ASSETS	783,793	176,608	147,114	1,107,515	(381,210)
NET ASSETS AT BEGINNING OF YEAR	<u>9,387,865</u>	<u>4,365,144</u>	<u>7,439,736</u>	<u>21,192,745</u>	<u>21,573,955</u>
NET ASSETS AT END OF YEAR	<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>

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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

	2017						2016
	External Allocations	Outreach	Total Program	General and Administrative	Fundraising	Total	
Salaries and wages	\$ -	\$ 139,407	\$ 139,407	\$ 220,728	\$ 220,728	\$ 580,863	\$ 560,803
Payroll taxes	-	9,849	9,849	15,595	15,595	41,039	40,378
Employment benefits	-	27,277	27,277	43,188	43,188	113,653	102,796
Total salaries, wages, and benefits	-	176,533	176,533	279,511	279,511	735,555	703,977
Allocations and grants	1,397,675	-	1,397,675	-	-	1,397,675	1,304,725
Bad debt expense	-	-	-	-	-	-	11,886
Campus maintenance	-	336,433	336,433	-	-	336,433	135,838
Computers	-	11,127	11,127	13,581	13,581	38,289	16,553
Conference	-	1,286	1,286	2,037	2,037	5,360	4,578
Credit card fees	-	-	-	-	15,932	15,932	15,488
Insurance	-	42,885	42,885	2,912	2,912	48,709	49,985
Newspaper expense	-	44,707	44,707	-	-	44,707	47,803
Occupancy expense	-	9,130	9,130	-	-	9,130	41,128
Office expense	-	2,695	2,695	4,971	3,488	11,154	10,403
Professional services	-	9,753	9,753	21,200	-	30,953	45,281
Program events	-	46,984	46,984	-	53,605	100,589	97,247
Depreciation	360,228	3,602	363,830	5,704	5,704	375,238	384,684
Total Expenses	\$ 1,757,903	\$ 685,135	\$ 2,443,038	\$ 329,916	\$ 376,770	\$ 3,149,724	\$ 2,869,576

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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

	For the Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,107,515	\$ (381,210)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	375,238	384,684
Net realized and unrealized (gains)/losses	(794,887)	1,243,201
Contributions restricted to endowment funds	(147,114)	(25,018)
Changes in operating assets and liabilities:		
Pledges and other receivables	136,113	53,331
Prepaid expenses	13,829	2,601
Cash surrender value of life insurance	(13,631)	(21,915)
Accounts payable and accrued liabilities	28,784	30,456
Jewish Federations of North America payable	(9,078)	13,382
Grants payable	(34,660)	(21,019)
Net Cash Provided By Operating Activities	662,109	1,278,493
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(262,549)	(166,717)
Proceeds from sales of investments	16,220,347	4,462,622
Purchases of investments	(16,831,934)	(5,433,160)
Net Cash Used In Investing Activities	(874,136)	(1,137,255)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to endowment funds	147,114	25,018
Funds held on behalf of other organizations	152,166	(182,960)
Net Cash Provided By (Used In) Financing Activities	299,280	(157,942)
NET CHANGE IN CASH AND CASH EQUIVALENTS	87,253	(16,704)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,026,735	1,043,439
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,113,988	\$ 1,026,735

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

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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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

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, 2016, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2016 consolidated financial statement presentation to correspond to current year's format.

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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)**

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.

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 \$350,000 for the year ended June 30, 2017, which is included in the consolidated statement of activities, as both other income and programs services expense.

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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)**

Donated Materials and Services

The value of significant donated services and materials 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, general activities, and special events. The contributions of services are recognized if the services received (a) create or enhance non-financial 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.

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, 2017 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
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**NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies
(Continued)**

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, 2017, 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. The estimated useful lives of the assets are as follows:

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

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.

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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)**

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 \$1,147,234 in the consolidated statement of financial position. Since the pledge is revocable, a corresponding liability for \$1,147,234 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.

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, 2017 and 2016, the outstanding balance is \$282,000.

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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)**

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 February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. 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.

Subsequent Events

The Organization has evaluated subsequent events from the statement of financial position date through November 10, 2017, the date at which the consolidated financial statements were available to be issued.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
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NOTE 2 – Pledges and Other Receivables

At June 30, 2017 and 2016, pledges and other receivables consisted of the following:

	<u>2017</u>	<u>2016</u>
Campaign pledges	\$ 278,513	\$ 507,951
New Campus pledges	65,000	78,250
Supplemental pledges	113,425	101,300
Fund for Our Future	13,300	17,900
Other	158,134	69,916
Allowance for uncollectible accounts	<u>(101,233)</u>	<u>(112,065)</u>
	<u>\$ 527,139</u>	<u>\$ 663,252</u>

NOTE 3 – Property and Equipment

At June 30, 2017 and 2016, the Organization’s property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 11,829,949	\$ 11,601,478
Furniture, fixtures, and equipment	2,104,480	2,082,923
Computer equipment	66,758	64,952
	<u>14,001,187</u>	<u>13,749,353</u>
Accumulated depreciation	<u>(7,256,190)</u>	<u>(6,891,668)</u>
	6,744,997	6,857,685
Construction in progress	150,924	-
Land	<u>35,840</u>	<u>35,840</u>
	<u>\$ 6,931,761</u>	<u>\$ 6,893,525</u>

For the years ended June 30, 2017 and 2016, depreciation expense for property and equipment amounted to \$375,238 and \$384,684, respectively.

The Organization has entered into a contract with a third party for roofing repairs with cost totaling approximately \$573,000. The construction project was completed on September 19, 2017. For the year ended June 30, 2017, the Organization capitalized expenses of \$150,924 related to this project.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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:

	Assets at Fair Value as of June 30, 2017			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	<u>31,048</u>			<u>\$ 31,048</u>
 Total	 <u>\$ 16,566,102</u>	 <u>\$ 16,535,054</u>	 <u>None</u>	 <u>\$ 31,048</u>

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NOTE 4 – Fair Value Measurements (Continued)

	Assets at Fair Value as of June 30, 2016			
	Total	Level 1	Level 2	Level 3
Equities				
Domestic	\$ 4,062,194	\$ 4,062,194		
Foreign	4,981,961	4,981,961		
Fixed income	6,084,426	6,084,426		
Alternative investments	31,048			\$ 31,048
Total	<u>\$ 15,159,629</u>	<u>\$ 15,128,581</u>	<u>None</u>	<u>\$ 31,048</u>

Investment return is comprised of the following items for the years ended June 30, 2017 and 2016.

	2017	2016
Realized and unrealized gain (loss)	\$ 794,887	\$ (1,243,201)
Interest and dividends, net	732,502	1,165,489
	<u>\$ 1,527,389</u>	<u>\$ (77,712)</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 annual contribution to the Plan totals 3% of eligible employees' gross wages and totaled \$19,485. 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, 2017 and 2016, unrestricted net assets consisted of the following unrestricted and unrestricted-board-designated funds:

	2017	2016
Jewish Federation of Greater Long Beach and West Orange County		
General Unrestricted Fund	\$ 7,640,102	\$ 7,264,597
Eva Cooper Fund	325,915	380,771
Rhoda Alban Fund	202,498	302,378
Tess Wohlstattar Fund	20,083	138,198
Marie Sires Fund	324,958	359,976
I. W. Gittleman Fund	416,437	-
Total unrestricted - board-designated	1,289,891	1,181,323
	8,929,993	8,445,920
Jewish Community Foundation		
General Unrestricted Fund	532,667	286,446
Bob Baldwin Memorial Fund	320,421	292,040
Francis Brody Fund	334,022	309,783
Fund Our Future	23,649	25,860
Hedwig Meyerfield Fund	30,906	27,816
Total unrestricted - board-designated	708,998	655,499
	1,241,665	941,945
	\$ 10,171,658	\$ 9,387,865

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NOTE 6 – Net Assets (Continued)

Temporarily Restricted Net Assets

At June 30, 2017 and 2016, temporarily restricted net assets consisted of contributions that have been restricted for a specific use in the next fiscal year-end or thereafter:

	2017	2016
Jewish Federation of Greater Long Beach and West Orange County		
Campus Maintenance Fund	\$ 261,523	\$ 355,205
Fund Our Future - Capital Campaign	117,400	293,626
Fund Our Future - Operations	102,890	132,590
Fund Our Future - Solar Project	350,000	-
I. W. Gittleman Building & Grounds Fund	359,520	735,704
Alpert Leadership Development Fund	14,564	13,364
Lentzner Fellows Program Fund	25,855	38,798
Other Funds	-	200
	1,231,752	1,569,487
Jewish Community Foundation		
Alpert Leadership Development Fund	206,148	190,862
Arlene Solomon Women's Philanthropy Fund	111,784	100,610
Breslauer Soref B'Nai Tzedek Philanthropic Fund	25,105	27,874
Emergency Relief Fund	8,367	7,531
Hebrew Academy Security Fund	12,265	11,039
Jean & Robert Blakey Fund	17,907	16,326
Jewish Community Security Fund	30,888	27,801
Philanthropic Funds	1,207,037	1,293,313
Dr. Jack & Karen Rabin Campus Building Fund	151,127	136,020
Dr. Jack & Karen Rabin Israel Goldstein Fund	29,253	74,304
Rabbi Howard Laibson Campership Fund	17,317	15,411
M & M Cohn Fund	25,386	-
Weinberg Federation Campus Fund	99,001	89,104
Speizer Family Fund	218,837	196,961
Tilly Weil Fund	45,689	44,742
Gerda Seifer Yom Ha Shoah Fund	31,681	27,859
Cumulative income available for spending from endowments	1,072,208	535,900
	3,310,000	2,795,657
	\$ 4,541,752	\$ 4,365,144

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NOTE 6 – Net Assets (Continued)

Permanently Restricted Net Assets

At June 30, 2017 and 2016, permanently restricted net assets consist of the following funds as of June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Jewish Community Foundation		
Anne Licht Leadership Endowment	\$ 63,613	\$ 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	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-Solomon Endowment	200,000	200,000
LOJE-Shirley Ross Endowment	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	80,000

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NOTE 6 – Net Assets (Continued)

Permanently Restricted Net Assets (Continued)

	<u>2017</u>	<u>2016</u>
PACE-Baldwin Endowment	50,000	50,000
PACE-Britton Family Endowment	65,054	65,054
PACE-Dr. Jack Rabin Endowment	103,627	103,627
PACE-Juliette Venitsky Endowment	5,000	5,000
PACE-Joe Lessin Endowment	125,169	125,169
PACE-Ray Alpert Endowment	476,714	400,000
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
Romola & Eugene Temkin Endowment	20,000	20,000
Ross Family Endowment	51,772	51,372
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>\$ 7,586,850</u>	<u>\$ 7,439,736</u>

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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 \$96,866 and \$201,128 as of June 30, 2017 and 2016, 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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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 %
Foreign equities	10-55 %
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, 2017 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (96,866)	\$ 1,072,208	\$ 7,586,850	\$ 8,562,192
Total endowments	<u>\$ (96,866)</u>	<u>\$ 1,072,208</u>	<u>\$ 7,586,850</u>	<u>\$ 8,562,192</u>

Changes in endowment net assets for the fiscal year ended June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2016	\$ (201,128)	\$ 535,900	\$ 7,439,736	\$ 7,774,508
Investment return:				
Investment income	49,999	379,860	-	429,859
Realized and unrealized gains on investments	<u>54,263</u>	<u>412,259</u>	<u>-</u>	<u>466,522</u>
	104,262	792,119	-	896,381
Contributions	-	-	147,114	147,114
Appropriation of donor restricted endowment earnings	<u>-</u>	<u>(255,811)</u>	<u>-</u>	<u>(255,811)</u>
Endowment net assets, June 30, 2017	<u>\$ (96,866)</u>	<u>\$ 1,072,208</u>	<u>\$ 7,586,850</u>	<u>\$ 8,562,192</u>

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NOTE 8 – Commitments and Contingencies

Solar Purchase Agreement

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-fifth 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 had not begun as of June 30, 2017.

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.

NOTE 9 – Related Parties

During the year ended June 30, 2017, the Organization received substantial contributions from a board member. The total contributions by the board member totaled approximately \$430,000.

SUPPLEMENTARY INFORMATION

**JEWISH FEDERATION OF GREATER LONG BEACH
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**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

	Jewish Federation of Greater Long Beach and West Orange County	Jewish Community Foundation	Eliminations	Consolidated Amounts
ASSETS				
Cash and cash equivalents	\$ 1,051,747	\$ 62,241	\$ -	\$ 1,113,988
Investments	2,356,202	16,522,013	(2,312,113)	16,566,102
Pledges and other receivables, net	504,509	119,167	(96,537)	527,139
Prepaid expenses	14,276	-	-	14,276
Property and equipment, net	6,931,761	-	-	6,931,761
Cash surrender value of life insurance	185,767	129,409	-	315,176
Charitable remainder trust assets	-	1,147,234	-	1,147,234
TOTAL ASSETS	<u>\$ 11,044,262</u>	<u>\$ 17,980,064</u>	<u>\$ (2,408,650)</u>	<u>\$ 26,615,676</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	\$ 307,329	\$ 19,822	\$ (96,537)	\$ 230,614
Jewish Federations of North America payable	117,816	-	-	117,816
Grants payable	175,372	-	-	175,372
AJCC payable	282,000	-	-	282,000
Funds held on behalf of other organizations	-	4,674,493	(2,312,113)	2,362,380
Charitable remainder trust liability	-	1,147,234	-	1,147,234
Total Liabilities	<u>882,517</u>	<u>5,841,549</u>	<u>(2,408,650)</u>	<u>4,315,416</u>
NET ASSETS				
Unrestricted	7,640,102	532,667	-	8,172,769
Unrestricted - board-designated	1,289,891	708,998	-	1,998,889
	8,929,993	1,241,665	-	10,171,658
Temporarily restricted	1,231,752	3,310,000	-	4,541,752
Permanently restricted	-	7,586,850	-	7,586,850
Total Net Assets	<u>10,161,745</u>	<u>12,138,515</u>	<u>-</u>	<u>22,300,260</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,044,262</u>	<u>\$ 17,980,064</u>	<u>\$ (2,408,650)</u>	<u>\$ 26,615,676</u>

See Independent Auditors' Report

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**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Jewish Federation of Greater Long Beach and West Organge County			Jewish Community Foundation			Eliminations	Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted		
SUPPORT AND REVENUE								
Contributions	\$ 1,351,540	\$ 355,696	\$ 1,707,236	\$ 37,310	\$ 547,900	\$ 147,114	\$ 732,324	\$ (449,820) \$ 1,989,740
Investment income	238,187	-	238,187	381,372	907,830	-	1,289,202	- 1,527,389
Jewish Community Chronicle	65,456	-	65,456	-	-	-	-	- 65,456
Special event, net	119,103	-	119,103	-	-	-	-	- 119,103
Programmatic events	84,878	-	84,878	-	-	-	-	- 84,878
Other income	651,884	-	651,884	106,789	-	-	106,789	(288,000) 470,673
Net assets released from restrictions	693,430	(693,430)	-	941,388	(941,388)	-	-	- -
	<u>3,204,478</u>	<u>(337,734)</u>	<u>2,866,744</u>	<u>1,466,859</u>	<u>514,342</u>	<u>147,114</u>	<u>2,128,315</u>	<u>(737,820) 4,257,239</u>
EXPENSES								
Program	2,031,878	-	2,031,878	978,740	-	-	978,740	(567,580) 2,443,038
General and administrative	314,607	-	314,607	100,429	-	-	100,429	(85,120) 329,916
Fundraising	373,920	-	373,920	87,970	-	-	87,970	(85,120) 376,770
	<u>2,720,405</u>	<u>-</u>	<u>2,720,405</u>	<u>1,167,139</u>	<u>-</u>	<u>-</u>	<u>1,167,139</u>	<u>(737,820) 3,149,724</u>
CHANGE IN NET ASSETS	484,073	(337,734)	146,339	299,720	514,342	147,114	961,176	- 1,107,515
BEGINNING NET ASSETS	<u>8,445,920</u>	<u>1,569,486</u>	<u>10,015,406</u>	<u>941,945</u>	<u>2,795,658</u>	<u>7,439,736</u>	<u>11,177,339</u>	<u>- 21,192,745</u>
ENDING NET ASSETS	<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>\$ - \$ 22,300,260</u>

See Independent Auditors' Report