



The Jewish Federation
The Jewish Community Foundation
OF THE EAST BAY

**THE JEWISH COMMUNITY FOUNDATION
AND SUPPORTING FOUNDATIONS**

(A California Not-For-Profit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012



accountancy corporation

THE JEWISH COMMUNITY FOUNDATION
And Supporting Foundations

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JUNE 30, 2013 AND 2012

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Independent Auditors' Report

Board of Directors
Jewish Community Federation of the Greater East Bay

We have audited the accompanying consolidated financial statements of The Jewish Community Foundation (the "Foundation") and its supporting foundations, which comprise the consolidated statements of financial position as of June 30, 2013 and June 30, 2012 and the related consolidated statements of cash flows for the years then ended and the consolidated statement of activities for the year ended June 30, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 Federation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Community Foundation and its supporting foundations as of June 30, 2013, 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 Summarized Comparative Information

We have previously audited the Jewish Community Foundation's 2012 financial statements, and our report dated May 9, 2013, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BINA accounting corporation

Certified Public Accountants

Oakland, California
March 13, 2014

THE JEWISH COMMUNITY FOUNDATION
and Supporting Foundations

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| <u>ASSETS</u> | <u>June 30, 2013</u> | <u>June 30, 2012</u> |
|--|-----------------------|-----------------------|
| Cash | \$ 1,140,623 | \$ 2,156,466 |
| Investments | 101,793,657 | 89,130,626 |
| Cash surrender value of life insurance | 403,811 | 499,586 |
| Land, building and improvements, net | 8,060,477 | 8,345,164 |
| Note receivable - UC Berkeley | 1,143,077 | 1,143,077 |
| Other assets | 325,558 | 606,918 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | <u>\$ 112,867,203</u> | <u>\$ 101,881,837</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Accounts payable | \$ 4,783 | \$ 36,750 |
| Due to Jewish Community Federation of Greater East Bay | 64,544 | - |
| Grants payable | 1,495,919 | 1,757,243 |
| Custodial funds | 3,021,998 | 2,779,058 |
| Mortgages payable | 3,399,131 | 3,089,685 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES | <u>7,986,375</u> | <u>7,662,736</u> |
| NET ASSETS: | | |
| Unrestricted: | | |
| Board designated endowment fund | 6,625,791 | 5,898,790 |
| Undesignated | 80,864,731 | 72,407,391 |
| | <hr/> | <hr/> |
| Temporarily restricted | 87,490,522 | 78,306,181 |
| | 17,390,306 | 15,912,920 |
| | <hr/> | <hr/> |
| TOTAL NET ASSETS | <u>104,880,828</u> | <u>94,219,101</u> |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 112,867,203</u> | <u>\$ 101,881,837</u> |

See notes to consolidated financial statements.

**THE JEWISH COMMUNITY FOUNDATION
and Supporting Foundations**

CONSOLIDATED STATEMENTS OF ACTIVITIES

**YEAR ENDED JUNE 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2012**

| | 2013 | | Total 2013 | Total 2012 |
|---|----------------------|---------------------------|-----------------------|----------------------|
| | Unrestricted | Temporarily Restricted | | |
| Revenues: | | | | |
| Public support: | | | | |
| Gifts and bequests received by: | | | | |
| Jewish Community Foundation | \$ 2,703,050 | \$ 261,329 | \$ 2,964,379 | \$ 2,469,454 |
| Supporting foundations | 4,581,393 | - | 4,581,393 | 2,291,290 |
| Total public support | <u>7,284,443</u> | <u>261,329</u> | <u>7,545,772</u> | <u>4,760,744</u> |
| Investment return: | | | | |
| Interest | 409,594 | 112,139 | 521,733 | 334,717 |
| Dividends | 987,043 | 407,838 | 1,394,881 | 1,454,417 |
| Income from investment in limited partnerships | 1,331,468 | - | 1,331,468 | 1,145,517 |
| Rental income | 131,546 | - | 131,546 | 111,308 |
| Net realized gains (losses) | 589,605 | 82,511 | 672,116 | (756,598) |
| Net unrealized gains (losses) | 6,283,862 | 1,368,509 | 7,652,371 | (3,806,900) |
| Other gains (losses) | 606,009 | 35,111 | 641,120 | (93,995) |
| Increase in cash surrender value of life insurance policies | - | 25,032 | 25,032 | 47,220 |
| Investment management fees | (113,835) | (27,905) | (141,740) | (133,281) |
| Total investment (loss) return | <u>10,225,292</u> | <u>2,003,235</u> | <u>12,228,527</u> | <u>(1,697,595)</u> |
| Net assets released from restriction | <u>787,178</u> | <u>(787,178)</u> | <u>-</u> | <u>-</u> |
| Total support and revenues | <u>18,296,913</u> | <u>1,477,386</u> | <u>19,774,299</u> | <u>3,063,149</u> |
| Expenses: | | | | |
| Charitable grants | 7,582,779 | - | 7,582,779 | 7,078,197 |
| Management and administration: | | | | |
| Administration | 1,350,862 | - | 1,350,862 | 1,465,948 |
| Interest expense | 66,056 | - | 66,056 | 71,681 |
| All other | 112,875 | - | 112,875 | 119,625 |
| Total management and administration | <u>1,529,793</u> | <u>-</u> | <u>1,529,793</u> | <u>1,657,254</u> |
| Total expenses | <u>9,112,572</u> | <u>-</u> | <u>9,112,572</u> | <u>8,735,451</u> |
| INCREASE (DECREASE) IN NET ASSETS | 9,184,341 | 1,477,386 | 10,661,727 | (5,672,302) |
| NET ASSETS, beginning of year | <u>78,306,181</u> | <u>15,912,920</u> | <u>94,219,101</u> | <u>99,891,403</u> |
| NET ASSETS, end of year | <u>\$ 87,490,522</u> | <u>\$ 17,390,306</u> | <u>\$ 104,880,828</u> | <u>\$ 94,219,101</u> |

See notes to consolidated financial statements.

**THE JEWISH COMMUNITY FOUNDATION
and Supporting Foundations**

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | <u>Year Ended June 30, 2013</u> | <u>Year Ended June 30, 2012</u> |
|---|-------------------------------------|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase (decrease) in net assets | \$ 10,661,727 | \$ (5,672,302) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Unrealized (gains) losses on investments | (7,652,371) | 3,806,900 |
| Realized (gains) losses on investments | (672,116) | 535,620 |
| Interest income accrued | 286,832 | (26,651) |
| Realized loss on sale of real estate | - | 75,000 |
| (Increase) decrease in cash surrender value of life insurance | 95,775 | (47,220) |
| Depreciation | 284,687 | 284,375 |
| (Increase) decrease in: | | |
| Pledge receivable | - | 475,000 |
| Due from affiliates | - | - |
| Note receivable - UC Berkeley | - | (1,143,077) |
| Other assets | (5,472) | (165,752) |
| Increase (decrease) in: | | |
| Grants payable | (261,324) | 103,371 |
| Custodial funds, net | 242,940 | (3,275,844) |
| Accounts payable and refundable deposits | (31,967) | (631,055) |
| Due to Jewish Community Foundation of the Greater East Bay | 64,544 | (68,857) |
| Total adjustments | <u>(7,648,472)</u> | <u>(78,190)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>3,013,255</u> | <u>(5,750,492)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net proceeds (purchase) of investment | (4,338,544) | 3,469,836 |
| Expenditures for construction in process | - | (748,281) |
| Proceeds from sale of real estate | - | 2,525,000 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>(4,338,544)</u> | <u>5,246,555</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal payments on mortgage payable | 309,446 | (27,173) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | <u>309,446</u> | <u>(27,173)</u> |
| NET DECREASE IN CASH | (1,015,843) | (531,110) |
| CASH, beginning of year | 2,156,466 | 2,687,576 |
| CASH, end of year | <u>\$ 1,140,623</u> | <u>\$ 2,156,466</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION : | | |
| Cash paid during the year for: | | |
| Interest | \$ 66,056 | \$ 74,220 |

See notes to consolidated financial statements.

**THE JEWISH COMMUNITY FOUNDATION
And Supporting Foundations**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2013 AND 2012

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

The Jewish Community Foundation and its supporting foundations (together the “Foundation”) are organized to provide for the continuation and enhancement of Jewish services.

The Foundation and its supporting foundations are not-for-profit organizations that have been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and under the provisions of the California Revenue and Taxation Code Section 23701(d). In addition, the Foundation and its supporting foundations have been recognized as organizations that are not private foundations under IRC Section 509(a)(2).

Basis of consolidation:

The accompanying financial statements have been prepared on the accrual basis of accounting and include eleven supporting foundations at June 30, 2013 and June 30, 2012. Two of the supporting foundations hold the ownership interest in a for-profit subsidiary, GMF Realty, Inc. (“GMF Realty”), an S corporation. The Jewish Community Foundation has the ability to elect the majority of members of each of the supporting foundation’s boards and has an economic interest in them. All inter-company foundation balances and transactions have been eliminated.

Basis of presentation:

Professional standards require that contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All contributions to the Foundation, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation’s governing documents. The variance power gives the board of directors the ability to modify donor restrictions that are incapable of fulfillment or inconsistent with the charitable needs of the community. As a result of the variance power, all contributions not classified as temporarily restricted are classified as unrestricted for financial statement purposes.

Professional standards require the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

THE JEWISH COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2013 AND 2012

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued):

Basis of presentation (continued):

Unrestricted net assets - The portion of net assets that are not restricted by donor-imposed stipulations and includes Board-designated endowment funds.

Temporarily restricted net assets - The portion of net assets whose use by the Foundation is limited by donor imposed stipulations that either will be fulfilled or expire by passage of time.

Permanently restricted net assets – The portion of net assets held in perpetuity by donor imposed stipulations. Investment income is available for donors stipulated purposes and is included in temporarily restricted net assets. The Foundation does not have any permanently restricted net assets.

Endowment reporting:

Professional standards provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Accounting standards require disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

Prior year summarized information:

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Investments:

The Foundation reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Realized gains and losses on sales of securities are determined on the specific-identification method.

The Foundation invests in financial instruments which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**THE JEWISH COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2013 AND 2012

**Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

Fair value:

The framework for measuring fair values provides 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 unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and June 30, 2012:

Equity, securities, debt securities, and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Real estate: Valued based on the estimated quoted prices for similar assets in active market.

Equity investments: Valued based on investment and estimated fair market value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**THE JEWISH COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2013 AND 2012

**Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued):**

Notes receivable:

Notes receivable are carried at face value which approximates fair value.

Land, buildings and improvements:

The land and buildings were recorded at fair market value at the date of donation. Depreciation of the building and improvements is provided on a straight-line basis over their estimated useful life.

Agency funds:

The Foundation accepts assets from other organizations for management. These amounts are recorded at fair value at the date received and are increased by their ratable portion of unrealized gains and realized gains and are reduced by unrealized losses, realized losses and investment management fees.

Income tax status:

The Foundation recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a “more-likely-than-not” threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. As of June 30, 2013, the Foundation has had no uncertain tax positions. The Foundation recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense. Income tax returns for the year prior to 2008 are no longer subject to examination by tax authorities. The Jewish Foundation is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status.

Subsequent events:

Management has evaluated subsequent events through March 13, 2014, the date which the financial statements were available for issue.

Note 2. NATURE OF ESTIMATES:

The preparation of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant changes relate to the determination of values of donated properties and other assets and the useful lives of long-lived assets.

Note 3. CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash. The Foundation places its cash with high credit quality financial institutions. At times, the account balances may exceed the institution’s federally insured limits. The Foundation has not experienced any losses in such accounts.

THE JEWISH COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2013 AND 2012

Note 4. INVESTMENTS:

Investments in marketable securities are managed by outside managers at the direction and oversight of the Board of Directors. The Board determines the asset allocation formula and places limitations on the types of investments the managers may acquire. As of June 30, 2013 and 2012, the amount of funds invested in marketable securities being managed by the following fund managers are as follows:

| | 2013 | 2012 |
|-------------------------------------|-----------------------|----------------------|
| Charles Schwab/Vaughn Nelson | \$ 2,873,524 | \$ 2,436,844 |
| Aurora Offshore Limited | 12,677,593 | 12,550,538 |
| Dodge and Cox International Stock | 6,321,796 | 5,170,812 |
| Dodge and Cox Stock | 7,000,712 | 4,554,553 |
| Bernstein | 3,263,264 | 3,859,962 |
| PIMCO | 6,095,723 | 5,302,529 |
| Harbor Funds Capital Appreciation | 2,843,525 | 2,298,214 |
| Third Avenue International | 2,785,341 | 2,325,238 |
| Artisan Midcap | 1,456,229 | 1,149,368 |
| Merrill Lynch | 121,209 | 2,702,839 |
| Morgan Stanley | 2,795,967 | - |
| Ell International | 1,317,065 | 1,180,025 |
| Morgan Stanley Global | 846,266 | - |
| Charles Schwab – Various | 166,431 | 282,243 |
| Charles Schwab - Saratoga | 1,557,263 | 1,184,688 |
| Charles Schwab – St. James | 1,437,265 | 1,212,340 |
| Lazard Emerging Markets | 2,587,541 | 2,324,775 |
| Managers AMG Times | 1,455,685 | 1,113,238 |
| RS Global Natural | 2,666,107 | 2,347,252 |
| Hawkeye Capital | 1,221,251 | 1,043,780 |
| Schwab Various | 136,114 | 1,005,848 |
| SFJCEF | 1,446,551 | 1,245,670 |
| Zaxis | 1,121,606 | 937,576 |
| Manning & Napier World | 4,148,439 | 3,486,035 |
| Barclays Wealth | 3,311,486 | 1,575,656 |
| Various | 1,338,614 | 1,688,122 |
| Charles Schwab Money Market | 511,330 | - |
| Loomis Sales Bond | 6,093,129 | 5,215,377 |
| | 79,596,936 | 68,193,522 |
| Investment in real estate interests | 7,875,646 | 6,094,270 |
| Capital Dynamics, aka HRJ Growth | 1,183,670 | 1,270,136 |
| Equity investment | 1,453,036 | 1,230,000 |
| Real estate partnership interests | 10,507,765 | 11,102,798 |
| State of Israel Bonds | 1,176,605 | 1,239,900 |
| | \$ 101,793,657 | \$ 89,130,626 |

**THE JEWISH COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2013 AND 2012

Note 5. FAIR VALUE:

The following table sets forth by the Foundation's investments at fair value as of June 30, 2013 and June 30, 2012:

Investments at Fair Value as of June 30, 2013

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|----------------------|----------------------|---------------------|-----------------------|
| Available for sales securities | \$ 64,576,486 | \$ - | \$ - | \$ 64,576,486 |
| Real estate | - | 18,383,411 | - | 18,383,411 |
| Israel bonds | - | 1,176,605 | - | 1,176,605 |
| Hedge funds | - | 13,799,199 | - | 13,799,199 |
| Pooled investment funds | - | 1,221,250 | - | 1,221,250 |
| Equity investment | - | - | 2,636,706 | 2,636,706 |
| Investments at fair value | <u>\$ 64,576,486</u> | <u>\$ 34,580,465</u> | <u>\$ 2,636,706</u> | <u>\$ 101,793,657</u> |

Investments at Fair Value as of June 30, 2012

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|----------------------|----------------------|---------------------|----------------------|
| Available for sales securities | \$ 53,661,628 | \$ - | \$ - | \$ 53,661,628 |
| Real estate | - | 17,197,069 | - | 17,197,069 |
| Israel bonds | - | 1,239,900 | - | 1,239,900 |
| Hedge funds | - | 13,488,113 | - | 13,488,113 |
| Pooled investment funds | - | 1,043,780 | - | 1,043,780 |
| Equity investment | - | - | 2,500,136 | 2,500,136 |
| Investments at fair value | <u>\$ 53,661,628</u> | <u>\$ 32,968,862</u> | <u>\$ 2,500,136</u> | <u>\$ 89,130,626</u> |

Level 3 Investments Activity:

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 investments for the year ended June 30:

| | 2013 | 2012 |
|------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 2,500,136 | \$ 1,865,903 |
| Investment purchases (sales) | - | 162,500 |
| Unrealized gain (loss) | <u>136,570</u> | <u>471,733</u> |
| Balance, end of year | <u>\$ 2,636,706</u> | <u>\$ 2,500,136</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2013 AND 2012

Note 6. LAND, BUILDING AND IMPROVEMENTS:

Land, building, improvements and construction in process consists of the following at June 30:

| | Estimated Useful Life | 2013 | 2012 |
|--------------------------------|--------------------------|--------------|--------------|
| Land | | \$ 2,250,000 | \$ 2,250,000 |
| Construction in process | | - | - |
| Building and improvements | 40 years | 7,448,622 | 7,448,622 |
| Furniture and equipment | 5 years | 88,217 | 88,217 |
| | | 9,786,839 | 9,786,839 |
| Less: accumulated depreciation | | (1,726,362) | (1,441,675) |
| | | \$ 8,060,477 | \$ 8,345,164 |

Note 7. OTHER ASSETS:

Other assets consist of the following at June 30:

| | 2013 | 2012 |
|-----------------------------|------------|------------|
| Accrued interest receivable | \$ 133,224 | \$ 420,056 |
| Loan to CCJCC | 182,415 | 175,375 |
| Other | 9,919 | 11,487 |
| | \$ 325,558 | \$ 606,918 |

Note 8. NOTE RECEIVABLE – UC BERKELEY:

The University of California – Berkeley (UCB) requested a number of tenant improvements to the building on Allston Way and agreed to pay for them, but was unable to do so as of the start of its lease, September 15, 2011. On December 17, 2011, UCB and the Magnes Museum Foundation (MMF) signed an agreement that acknowledged the amount of money owed by UCB to MMF. The agreement allows MMF to reduce any annual grants to UCB by 5% of the amount outstanding. The agreement confirms that UCB will engage in aggressive and directed fundraising to satisfy the debt, with all money raised remitted quarterly to MMF. The agreement calls for any rental income received by UCB for the currently vacant second floor of the Allston Way building to MMF. The agreement states that any unpaid portion of the debt is due in full on September 15, 2021. The balance outstanding as of June 30, 2013 and June 30, 2012 is \$1,143,077 and \$1,143,077, respectively.

**THE JEWISH COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2013 AND 2012

Note 9. GRANTS PAYABLE:

Grants payable consist of the following at June 30:

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| U.S. Holocaust Memorial Museum | \$ 50,000 | \$ - |
| Jewish Community Federation of the Greater East Bay | 558,500 | 502,000 |
| Planned Parenthood Shasta-Pacific | 50,000 | - |
| Oakland Hebrew Day School | 50,000 | - |
| Contra Costa Jewish Day School | - | 135,000 |
| The American Israel Public Affairs Committee | 175,000 | 175,000 |
| San Francisco Friends School | 50,000 | 125,000 |
| Magnes Collection of Jewish Art and Life | 136,344 | 144,781 |
| Temple Sinai | - | 50,000 |
| Osher Marin Jewish Community Center | 100,000 | 100,000 |
| Beit T' Shuvah | 60,000 | 80,000 |
| Brightlight Israel Foundation | 30,000 | 60,000 |
| Washington Institute for Near East Policy | - | 50,000 |
| Taube Foundation for Jewish Life and Culture | 50,000 | - |
| All others | <u>186,075</u> | <u>335,462</u> |
| | <u>\$ 1,495,919</u> | <u>\$ 1,757,243</u> |

**THE JEWISH COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2013 AND 2012

Note 10. MORTGAGES PAYABLE:

Mortgages payable consist of the following at June 30:

| | 2013 | 2012 |
|--|---------------------|---------------------|
| Note payable bearing interest at LIBOR plus 0.9% (1.25% at June 30, 2013 and at June 30, 2012), interest due monthly, principal due in full June 1, 2035. | \$ 2,152,000 | \$ 2,152,000 |
| Note payable bearing interest at prime plus 2.3%, monthly payments of principal and interest are approximately \$6,500, principal due February 1, 2028; secured by real property. | 633,973 | 662,685 |
| Note payable bearing interest at 6.5%, monthly payments of principal and interest are approximately \$6,800, principal due July 1, 2018; secured by real property. Property sold August 2013, mortgage paid off with proceeds. | 338,158 | - |
| Note payable bearing interest at 4.80%, monthly payments of interest only until May 1, 2014 at which time interest rate will be indexed to the weekly average yield of one year US Treasury bill plus 2.5%. Interest rate however shall not exceed 10.8% or be lower than 2.5%. Principal and interest will be due monthly; remaining principal due monthly; remaining principal due in full on April 1, 2034. Secured by real property. | 275,000 | 275,000 |
| | \$ 3,399,131 | \$ 3,089,685 |

Maturities of the mortgages payable, based on the current and stated interest rates, subsequent to June 30, 2013, are as follows:

| Year Ending June 30, | |
|-------------------------|---------------------|
| 2014 | \$ 367,862 |
| 2015 | 31,208 |
| 2016 | 32,788 |
| 2017 | 33,444 |
| 2018 | 35,131 |
| Thereafter | 2,898,698 |
| Total | \$ 3,399,131 |

**THE JEWISH COMMUNITY FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2013 AND 2012

Note 11. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are comprised of the following at June 30:

| | 2013 | 2012 |
|-----------------------------|---------------|---------------|
| Education and culture | \$ 5,150,065 | \$ 4,647,564 |
| Community services | 2,972,689 | 2,863,988 |
| Israel and overseas | 3,332,575 | 3,063,871 |
| Jewish Community Federation | 2,115,596 | 2,038,175 |
| Leadership development | 365,542 | 300,984 |
| College education | 223,499 | 198,601 |
| General community programs | 150,104 | - |
| Synagogue and religious | 3,080,236 | 2,799,737 |
| Totals | \$ 17,390,306 | \$ 15,912,920 |

Note 12. RELATED PARTY TRANSACTIONS:

The Foundation and the Jewish Federation of the Greater East Bay (“Jewish Community Federation”) have several directors and officers in common. The following summarizes the transactions with the Federation as of and for the year ended June 30:

| | 2013 | 2012 |
|---|------------|--------------|
| Contributions to Jewish Community Federation | \$ 906,474 | \$ 1,339,958 |
| Grants from Jewish Community Federation | 106,171 | 48,856 |
| Rent paid to Jewish Community Federation | 45,100 | 45,100 |
| Accounts payable to Jewish Community Federation | 64,544 | - |
| Expenses for shared services | 797,631 | 770,711 |
| Grants payable to Jewish Community Federation | \$558,500 | \$502,000 |

GMF Realty, a corporation owned by two supporting foundations, leases office space to the Jewish Community Federation. The lease provides for an original term of eight years and five months, commencing February 1, 2005 and expiring June 30, 2013. The lease contains options for two renewal terms of five years each. The monthly rental expense under lease is \$12,167. The Jewish Community Federation charges the Foundation for the space used by the Foundation. Rental expense for the years ended June 30, 2013 and June 30, 2012 is \$45,100.

Grants payable to the Jewish Community Federation are joint grants payable to multiple recipients. For convenience the grants are paid by the Jewish Community Federation and reimbursed at the time of payment by the Foundation to the Jewish Community Federation.

Two board members of the supporting foundations have personally guaranteed the mortgage payable to a bank by GMF Realty, Inc.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2013 AND 2012

Note 13. ENDOWMENT:

The Foundation's endowments consist of numerous individual funds established for a variety of purposes. As required by professional accounting standards, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The board designated funds resulted from an internal designation and are not donor-restricted; these are classified and reported as unrestricted net assets.

Endowment Net Asset Composition as of June 30, 2013

| | Unrestricted | Temporarily Restricted | Total |
|----------------------------|--------------|---------------------------|---------------|
| Board-designated endowment | \$ 6,625,791 | \$ - | \$ 6,625,791 |
| Donor restricted | - | 17,390,306 | 17,390,306 |
| Totals | \$ 6,625,791 | \$ 17,390,306 | \$ 24,016,097 |

Net changes in endowment funds for the year ended June 30, 2013 were as follows:

| | Unrestricted | Temporarily Restricted | Total |
|-------------------|--------------|---------------------------|---------------|
| Beginning balance | \$ 5,898,790 | \$ 15,912,920 | \$ 21,811,710 |
| Investment return | 714,669 | 1,856,106 | 2,570,775 |
| Contributions | 167,364 | 408,458 | 575,822 |
| Distributions | (155,032) | (787,178) | (942,210) |
| Totals | \$ 6,625,791 | \$ 17,390,306 | \$ 24,016,097 |

Endowment Net Asset Composition as of June 30, 2012

| | Unrestricted | Temporarily Restricted | Total |
|----------------------------|--------------|---------------------------|---------------|
| Board-designated endowment | \$ 5,898,790 | \$ - | \$ 5,898,790 |
| Donor restricted | - | 15,912,920 | 15,912,920 |
| Totals | \$ 5,898,790 | \$ 15,912,920 | \$ 21,811,710 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2013 AND 2012

Note 13. ENDOWMENT (Continued):

Net changes in endowment funds for the year ended June 30, 2012 were as follows:

| | Unrestricted | Temporarily Restricted | Total |
|-------------------|---------------------|---------------------------|----------------------|
| Beginning balance | \$ 6,413,913 | \$ 16,896,291 | \$ 23,310,204 |
| Investment return | (214,008) | (521,604) | (735,612) |
| Contributions | 113,719 | 213,655 | 327,374 |
| Distributions | (414,834) | (675,422) | (1,090,256) |
| Totals | <u>\$ 5,898,790</u> | <u>\$ 15,912,920</u> | <u>\$ 21,811,710</u> |

Spending policy:

The Board may make distributions of endowed funds to meet its operating needs and/or to award grants. An amount equal to 4.5% of the average endowed fund balance may be used for operations and/or grants. The board appropriated \$942,210 towards charitable grants in 2013 and \$1,090,256 in 2012.

Investment policy:

The Foundation invests endowment funds in a diversified portfolio which is managed by professional money managers. The portfolio's targeted weighting is approximately 75% equities and 25% fixed income. It seeks a rate of return above the respective benchmarks for each asset class. For planning purposes, the primary investment objective of the funds is to earn an average real (inflation adjusted) total return of 5 1/2% per year, net of management fees and commissions, over the long term (ten-year periods).