

**JEWISH FEDERATION OF  
SOUTH PALM BEACH COUNTY, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

August 31, 2010

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**  
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**AUGUST 31, 2010**

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Mayer Hoffman McCann P.C.  
An Independent CPA Firm  
Goldstein Lewin Division

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Jewish Federation of South Palm Beach County, Inc.  
Boca Raton, Florida

We have audited the accompanying consolidated statement of financial position of the Jewish Federation of South Palm Beach County, Inc. (a nonprofit organization) (the "Federation"), as of August 31, 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Federation's 2009 consolidated financial statements which were audited by other auditors, Goldstein Lewin & Co., whose shareholders became shareholders of Mayer Hoffman McCann P.C. as of January 1, 2010, and whose report dated February 23, 2010 expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 South Palm Beach County, Inc. as of August 31, 2010, and the change in its net assets and its cash flows for the year then ended in conformity with U.S generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.



Boca Raton, Florida  
January 14, 2011

1675 N. Military Trail, Fifth Floor  
Boca Raton, Florida 33486  
Ph: 561.994.5050 Fx: 561.241.0071  
www.mhm-pc.com

1 East Broward Blvd., Suite 700  
Ft. Lauderdale, Florida 33301  
Ph: 954.429.8555  
(Send reply to Boca office)

**JEWISH FEDERATION  
OF SOUTH PALM BEACH COUNTY, INC.  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2010**

**ASSETS**

	<b>2010</b>	<b>2009</b>
Cash and Cash Equivalents (Notes 1M, 9, and 14)	\$ 3,483,350	\$ 1,892,471
Investments (Notes 1D, 1O, and 2)	51,956,173	53,671,918
Pledges Receivable, Net (Notes 1C, 1E, and 3)	5,389,287	7,248,758
Bond Proceeds Receivable (Note 6)	1,052,908	2,265,537
Other Receivables (Note 4)	838,050	681,890
Prepaid Expenses and Other Assets	802,250	761,068
Property and Equipment, Net (Notes 1F and 5)	28,568,515	28,776,351
Total Assets	\$ 92,090,533	\$ 95,297,993

**LIABILITIES AND NET ASSETS**

Accounts Payable and Accrued Liabilities	\$ 1,233,546	\$ 1,387,438
Liability Under Split-Interest Agreements (Note 12)	3,478,383	4,311,875
Allocations Payable: (Note 1G)		
Jewish Federations of North America		
- Current	1,575,000	3,057,717
- Prior	3,793,913	3,828,905
Other Beneficiaries	1,091,567	1,102,102
Community Partnership Agencies	694,000	847,828
Due to Community Partnership Agencies (Notes 15 and 16)	9,680,736	10,127,681
Due to Other Entities (Note 17)	1,027,898	938,982
Deferred Support and Revenue (Notes 1C and 7)	325,978	179,916
Revolving Loan Payable (Note 9)	1,300,269	2,200,000
Bonds Payable (Note 6)	6,230,000	6,345,000
Capital Lease Obligations (Note 8)	239,521	327,974
Total Liabilities	30,670,811	34,655,418
Contingencies (Notes 9 and 15)		
Net Assets:		
Unrestricted	31,547,455	29,040,159
Unrestricted – Designated	7,621,980	6,885,107
Total Unrestricted (Note 1C)	39,169,435	35,925,266
Temporarily Restricted (Notes 1C and 10)	12,949,633	8,593,564
Permanently Restricted (Notes 1C and 11)	9,300,654	16,123,745
Total Net Assets	61,419,722	60,642,575
Total Liabilities and Net Assets	\$ 92,090,533	\$ 95,297,993

The Accompanying Notes are an Integral  
Part of These Consolidated Financial Statements

**JEWISH FEDERATION  
OF SOUTH PALM BEACH COUNTY, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2010</u>	<u>Total 2009</u>
<b>Support:</b>					
Gross Annual Campaign (Note 1C)	\$ 14,524,655	\$ 471,833	\$ -	\$ 14,996,488	\$ 15,971,614
Less: Provided Via					
Jewish Community Foundation	<u>(1,690,751)</u>	<u>-</u>	<u>-</u>	<u>(1,690,751)</u>	<u>(1,259,997)</u>
Net Annual Campaign	12,833,904	471,833	-	13,305,737	14,711,617
Other Pledges, Grants, and Contributions	3,740,419	-	-	3,740,419	3,407,941
Less: Provision for Uncollectible Pledges	<u>(1,191,989)</u>	<u>-</u>	<u>-</u>	<u>(1,191,989)</u>	<u>(1,132,489)</u>
<b>Total Support</b>	<u>15,382,334</u>	<u>471,833</u>	<u>-</u>	<u>15,854,167</u>	<u>16,987,069</u>
<b>Revenue:</b>					
Program Revenue	1,725,758	-	-	1,725,758	1,398,164
Interest and Dividend Income	335,223	116,310	-	451,533	604,536
Realized (Losses)	(413,791)	(74,971)	-	(488,762)	(942,344)
Unrealized Gains (Losses)	1,990,746	1,564,904	-	3,555,650	(5,656,313)
Change in Value of Split-Interest Agreements	-	(641,276)	-	(641,276)	(831,346)
Community Partnership Agencies	144,954	-	-	144,954	148,410
Other Revenue	<u>2,257,908</u>	<u>-</u>	<u>-</u>	<u>2,257,908</u>	<u>1,508,289</u>
<b>Total Revenue</b>	<u>6,040,798</u>	<u>964,967</u>	<u>-</u>	<u>7,005,765</u>	<u>(3,770,604)</u>
<b>Total Support and Revenue</b>	<u>21,423,132</u>	<u>1,436,800</u>	<u>-</u>	<u>22,859,932</u>	<u>13,216,465</u>
Net Assets Released from Restrictions	<u>2,234,345</u>	<u>(2,234,345)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses:</b>					
<b>Allocations:</b>					
Jewish Federations of North America	1,575,000	-	-	1,575,000	1,904,473
Other Beneficiaries	699,588	-	-	699,588	601,021
Community Partnership Agencies	7,115,287	-	-	7,115,287	7,464,607
Distributions	<u>1,696,007</u>	<u>-</u>	<u>-</u>	<u>1,696,007</u>	<u>1,918,895</u>
<b>Total Allocations and Distributions</b>	<u>11,085,882</u>	<u>-</u>	<u>-</u>	<u>11,085,882</u>	<u>11,888,996</u>
Programs	2,348,247	-	-	2,348,247	2,699,796
Management/Administration	7,469,719	-	-	7,469,719	8,326,622
Fundraising	2,635,756	-	-	2,635,756	3,039,676
Depreciation	751,186	-	-	751,186	555,466
Interest	369,695	-	-	369,695	328,571
Allocation of Functional Expenses to Community Partnership Agencies	<u>(2,577,700)</u>	<u>-</u>	<u>-</u>	<u>(2,577,700)</u>	<u>(2,725,800)</u>
<b>Total Functional Expenses (Note 1L, and Page 4)</b>	<u>10,996,903</u>	<u>-</u>	<u>-</u>	<u>10,996,903</u>	<u>12,224,331</u>
<b>Total Expenses</b>	<u>22,082,785</u>	<u>-</u>	<u>-</u>	<u>22,082,785</u>	<u>24,113,327</u>
Change in Net Assets	1,574,692	(797,545)	-	777,147	(10,896,862)
Net Assets – Beginning	35,925,266	8,593,564	16,123,745	60,642,575	71,539,437
Reclassification (Note 1N)	<u>1,669,477</u>	<u>5,153,614</u>	<u>(6,823,091)</u>	<u>-</u>	<u>-</u>
Net Assets – End	<u>\$ 39,169,435</u>	<u>\$ 12,949,633</u>	<u>\$ 9,300,654</u>	<u>\$ 61,419,722</u>	<u>\$ 60,642,575</u>

The Accompanying Notes are an Integral  
Part of These Consolidated Financial Statements

**JEWISH FEDERATION  
OF SOUTH PALM BEACH COUNTY, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED AUGUST 31, 2010**

	<u>2010</u>	<u>2009</u>
Administration	\$ 132,389	\$ 146,925
Building and Equipment	1,149,091	1,164,744
Depreciation	751,186	555,466
Dues and Subscriptions	35,775	34,657
Insurance	568,712	577,075
Interest	369,695	328,571
Local and Non-Local Meetings	56,106	93,074
Occupancy	1,086,661	1,192,444
Postage and Shipping	67,682	94,888
Printing and Publicity	290,345	383,435
Salaries, Benefits, and Taxes	6,170,688	7,738,442
Services and Programs	2,896,273	2,640,410
Allocation of Functional Expenses to Community Partnership Agencies	<u>(2,577,700)</u>	<u>(2,725,800)</u>
Total Functional Expenses (See Page 3)	<u>\$ 10,996,903</u>	<u>\$ 12,224,331</u>

The Accompanying Notes are an Integral  
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**JEWISH FEDERATION  
OF SOUTH PALM BEACH COUNTY, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED AUGUST 31, 2010**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 777,147	\$ (10,896,862)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	751,186	555,466
Depreciation Allocated to Community Partnership Agencies	1,413,614	1,560,603
Allowance for Doubtful Accounts	1,191,989	1,132,489
Actuarial (Gains) Losses on Annuity Obligations	641,276	831,346
Net Unrealized and Realized (Gains) Losses on Long-Term Investments	(3,066,888)	6,598,657
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Pledges Receivable	667,482	1,216,340
Other Receivables	(156,160)	149,251
Prepaid Expenses and Other Assets	(41,182)	(165,800)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	(153,892)	(571,514)
Allocations Payable	(2,129,017)	(6,747,029)
Due To Other Entities	88,916	(513,654)
Deferred Support and Revenue	146,062	34,518
Net Cash Provided By (Used In) Operating Activities	130,533	(6,816,189)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(1,912,869)	(1,297,418)
Proceeds from Sales of Investments	4,954,179	6,172,490
Purchases of Investments	(942,421)	(1,379,385)
Net Cash Provided By Investing Activities	2,098,889	3,495,687
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Annuity Obligations	(703,893)	(813,377)
Payments on Revolving Loan Payable, Net	(899,731)	2,200,000
Proceeds Released by Bond Trustee	1,212,629	940,792
Payments on Bonds Payable	(115,000)	-
Payments on Capital Lease Obligations	(132,548)	(164,787)
Net Cash Provided By (Used In) Financing Activities	(638,543)	2,162,628
Net Increase (Decrease) in Cash and Cash Equivalents	1,590,879	(1,157,874)
Cash and Cash Equivalents— Beginning of Year	1,892,471	3,050,345
Cash and Cash Equivalents – End of Year	\$ 3,483,350	\$ 1,892,471

The Accompanying Notes are an Integral  
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**JEWISH FEDERATION  
OF SOUTH PALM BEACH COUNTY, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED AUGUST 31, 2010**

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ <u>369,695</u>	\$ <u>328,571</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Purchases of Property and Equipment Under Capital Lease Obligations	\$ <u>44,095</u>	\$ <u>288,648</u>
Losses on Investments Related to Split-Interest Agreements	\$ <u>770,875</u>	\$ <u>282,254</u>

The Accompanying Notes are an Integral  
Part of These Consolidated Financial Statements

JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

( 1 ) Nature of operations and summary of significant accounting policies

- A) **General** – The Jewish Federation of South Palm Beach County, Inc. (the “Federation”) is a nonprofit charitable fundraising organization that was organized in November 1979 to further the welfare of the Jewish community in South Palm Beach County, Florida (area of primary contribution solicitation) and elsewhere.
- B) **Principles of consolidation** – The consolidated financial statements include the accounts of the Federation, all of its funds, and subsidiaries (Note 19). All significant intra-fund and intra-agency accounts and transactions have been eliminated upon consolidation.
- C) **Public support and revenue** – Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give are recorded as a receivable. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as pledges receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The majority of the promises to give are received from a broad base of South Palm Beach County contributors as a result of the annual campaign. An allowance for uncollectible promises is provided based on management’s evaluation of potential uncollectible promises receivable at year-end.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted or temporarily restricted net assets.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Externally restricted funds may be utilized only in accordance with the purposes established by the source of such funds. In contrast, the Federation retains full control to use unrestricted funds in achieving its institutional purposes.

JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

( 1 ) Nature of operations and summary of significant accounting policies (continued)

- D) **Investments** – Investments are recorded at fair value.
- E) **Promises to give** – Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.
- F) **Property and equipment** – Land, building and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Amortization of capital leases is included in depreciation expense.
- G) **Allocations** – Allocations to the Jewish Federations of North America (the “JFNA”) (formerly the United Jewish Communities), and other beneficiary agencies are recorded in the general fund as a liability when approved by the Board of Directors of the Federation. Allocations are paid to the JFNA and other beneficiary agencies in the year following the campaign from which they are funded and are reflected as allocations payable in the accompanying consolidated financial statements. Allocations arising from contributions received directly by the JFNA from area residents are recognized when the Federation receives a credit from the JFNA. Intra-fund allocations representing allocations to agencies as of August 31, 2010 have been recorded as a designation of unrestricted net assets.
- H) **Contributed assets and services** – Contributed assets are recorded at their estimated fair market value at the date of contribution.

No amounts have been reflected in the consolidated financial statements for donated services. The Federation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Federation with specific assistance programs, campaign solicitations, and various committee assignments.

- I) **Advertising** – Costs of advertising to promote the Federation’s programs/services among the audiences it serves are expensed as incurred. These expenditures have been included in fundraising and program expenses.
- J) **Income taxes** – The Federation, Federation Transportation Services, Inc., Federation CCRC Property Corp., and Federation CCRC Operations Corp. (Note 19) qualify for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code as charitable organizations whereby only unrelated business income, if any, is subject to Federal income tax. Jewish Community Facilities Corporation qualifies for tax-exempt status under Section 501(c)(2) of the Internal Revenue Code as a subsidiary of the Federation.

JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

( 1 ) Nature of operations and summary of significant accounting policies (continued)

J) **Income taxes (continued) -**

As a limited liability company, Federation CCRC Development, LLC is treated as a single member entity owned wholly by the Federation, and therefore, is not a taxpaying entity.

K) **Accounting estimates** – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 and the differences could be material.

L) **Functional allocation of expenses** – The costs of providing the various programs and activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

M) **Cash and cash equivalents** – The Federation considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

N) **Prior year amounts and reclassifications** – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or by changes in net asset class. This information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, this information should be read in conjunction with the Federation's consolidated financial statements for fiscal 2009 from which the summarized information was derived. The Federation determined that a certain fund should be treated as temporarily restricted and unrestricted rather than permanently restricted as the corpus is allowed to be distributed. Therefore, permanently restricted net assets in the amount of \$6,823,091 have been reclassified. Additionally, certain amounts in the prior year have been reclassified to conform to the current year presentation.

O) **Effects of recent accounting pronouncements -**

Uncertainty in Income Taxes – Effective January 1, 2009, the Financial Accounting Standards Board ("FASB") issued guidance that addresses accounting for uncertainty in income taxes which requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not (i.e. a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The adoption of this guidance did not have a significant impact on the Federation's consolidated financial statements.

JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

( 1 ) Nature of operations and summary of significant accounting policies (continued)

O) **Effects of recent accounting pronouncements (continued) -**

Fair Value Measurements – In April and September 2009, the FASB issued guidance which (i) provided additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased, (ii) provided guidance on identifying circumstances that indicate a transaction is not orderly, (iii) permitted, as a practical expedient, entities to measure the fair value of certain investments based on the net asset value per share, and (iv) expanded the required disclosures about fair value measurements. The adoption of this guidance did not have a material effect on the Federation's consolidated net assets or the change in net assets.

Fair Value Disclosures - In January 2010, the FASB issued guidance which expanded the required disclosures about fair value measurements. In particular, this guidance requires (i) separate disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with the reasons for such transfers, (ii) information about purchases, sales, issuances and settlements to be presented separately in the reconciliation for Level 3 fair value measurements, (iii) fair value measurement disclosures for each class of assets and liabilities, and (iv) disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. This guidance is effective for annual reporting periods beginning after December 15, 2009 except for (ii) above which is effective for fiscal years beginning after December 15, 2010. The Federation is currently evaluating the impact that this guidance will have on its consolidated financial statement disclosures.

Subsequent Events - In May 2009 and February 2010, the FASB issued guidance which established general standards of accounting for, and disclosure of, events that occur after the statement of financial position date but before financial statements are issued or are available to be issued. In particular, this guidance established (i) the period after the statement of financial position date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure, (ii) the circumstances under which an entity should recognize events or transactions occurring after the statement of financial position date, and (iii) the disclosures that an entity should make about events or transactions that occurred after the statement of financial position date. The adoption of this guidance did not have a material effect on the Federation's consolidated net assets or the change in net assets.

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 1 ) Nature of operations and summary of significant accounting policies (continued)**

**O) Effects of recent accounting pronouncements (continued) -**

Codification – In June 2009, the FASB issued new codification standards (Accounting Standards Codification (“ASC”)) which represent the source of authoritative U.S. generally accepted accounting principles (“GAAP”) recognized by the FASB to be applied by non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The codification supersedes all non-SEC accounting and reporting standards which existed prior to the codification. All other non-grandfathered, non-SEC accounting literature not included in the codification is non-authoritative. The new codification standards were effective during the fiscal year ended August 31, 2010.

**( 2 ) Investments**

**Investment totals** - On December 27, 2007, the Federation transferred a significant portion of its investment assets to the Jewish Federation of Metropolitan Chicago’s (the “Chicago Federation”) Pooled Investment Portfolio (the “JUF”). Ownership of the funds remains with the Federation and are liabilities of the Chicago Federation.

Within sixty (60) days of the end of each calendar quarter, the Chicago Federation is to supply the Federation with a quarterly statement showing the value of all JUF investments as of the last calendar day of the quarter, any additions or withdrawals made during the quarter, and the adjusted market value. The JUF quarterly statement will also show the ownership of the Federation’s assets stated as a percentage of the total JUF, and identify any realized and unrealized capital gains or losses during the quarter.

The investment totals listed below include the June 30, 2010 JUF Quarterly Statement investment portfolio valuation that is used as the Federation’s Jewish Community Foundation Fund’s (the “Foundation”) fiscal year reporting information. The Federation’s fiscal year end is August 31, 2010.

The investment assets listed below are sensitive to economic pressures prevalent in the investment market. The pressures primarily stem from interest rates and their effect on bond rates, mortgage rates, real estate market values, stock prices, and the overall stability of the market.

As such, the market may fluctuate significantly on a short-term and/or long-term basis, potentially resulting in material increases or decreases in the market value of these assets. Due to such fluctuations, the balance for the Foundation held by the JUF increased to \$39,022,812 as of September 30, 2010, from \$36,941,686 as of June 30, 2010.

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 2 ) Investments (continued)**

**Investment totals (continued) -**

Investments at August 31, 2010 are summarized as follows:

<b>GENERAL FUND</b>	
Israel Bonds	\$ 1,314,992
Certificates of Deposit - Restricted (Note 9)	<u>43,600</u>
Total General Fund	<u>1,358,592</u>
 <b>JEWISH COMMUNITY FOUNDATION FUND</b>	
JUF Investment Portfolio (Valued at June 30, 2010)	36,941,686
Alternative Investments	417,792
Cash, Money Market Funds, and Certificates of Deposit	4,195,438
Corporate Bonds	1,717,519
Equities	1,081,429
Intra-Fund Loan (to Federation)	2,785,792
State of Israel Bonds	1,929,500
Mutual Funds	3,436,802
Other Investments	709,350
Real Estate LP	<u>168,065</u>
Total Jewish Community Foundation Fund	<u>53,383,373</u>
	54,741,965
Less: Intra-Fund Loan Receivable	<u>(2,785,792)</u>
Total Investments	<u>\$ 51,956,173</u>

**FASB ASC 820** - Effective September 1, 2008, the Federation adopted ASC 820 (formerly Statement of Financial Accounting Standards No. 157 *Fair Value Measurements*), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. The adoption of this pronouncement did not have a significant impact on the Federation's consolidated financial statements.

ASC 820 also establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Federation's assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 Quoted market prices in active markets for identical assets or liabilities;

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 2 ) Investments (continued)**

**FASB ASC 820 (continued) -**

Level 2 Inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted market prices in markets that are not active or other inputs that are either directly or indirectly observable; and

Level 3 Unobservable inputs using estimates and assumptions developed by the Federation, which reflect those that a market participant would use.

The Federation's investment assets are stated at fair value. The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies as of August 31, 2010 and 2009, other than the classification of money market funds as Level 1 in 2010 and Level 2 in 2009 for funds held directly by the Federation.

JUF Investment Portfolio: Made up of various investments primarily consisting of the following:

Investments in mutual funds and securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the latest reported sales price on the day of valuation. Fair value of exchange-traded contracts is based upon exchange settlement prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments in government securities and bonds and corporate notes which are traded on a national securities exchange or market are valued at the mean between the current "bid" and "ask" quotations on that day. If a reliable bid and ask quotation cannot be obtained from a national securities exchange, the security is priced at the mean between the bid and ask quotation of a reliable market maker. Government securities and bonds and corporate notes not traded on an exchange are stated at cost plus accrued interest, which approximates the fair value. These financial instruments are classified as Level 2 in the fair value hierarchy.

Investments in alternative investments and other investment vehicles (funds) are valued at fair value based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date, as determined by the Chicago Federation. In determining fair value, the Chicago Federation utilizes valuations provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective investment fund and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Chicago Federation's investments in funds generally represents the amount the Chicago Federation would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply. These investments are classified as Level 3 in the fair value hierarchy.

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 2 ) Investments (continued)**

**FASB ASC 820 (continued) -**

In September 2009, the accounting guidance related to fair value measurements was amended. Pursuant to this amendment, if the Chicago Federation has the ability to redeem an investment at its net asset value at their measurement date, the investment shall be categorized as a Level 2 fair value investment. If the Chicago Federation cannot redeem an investment at net asset value at the measurement date, but the investment may be redeemable at a future date, the Chicago Federation considers the length of time until the investment will be redeemable in determining whether it will be categorized as a Level 2 or Level 3 fair value investment. The adoption of this guidance resulted in the reclassification of certain investments in funds from Level 3 to Level 2 as of July 1, 2009, if the Chicago Federation has the ability to redeem within a relatively short period of time (approximately 90 days) with no redemption suspensions, lockups or other restrictions. As of June 30, 2010 the Chicago Federation had approximately \$1,000,000 of investments with redemption suspensions, lockups or side pockets.

Derivative Instruments – The Chicago Federation uses interest rate swaps to manage interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and uses observable market based inputs, including The London Interbank Offered Rate (“LIBOR”) rate curves. The interest rate swaps are classified as Level 2 in the fair value hierarchy.

Charitable Remainder and Annuity Trusts – The Chicago Federation’s liability for annuity contract obligations is computed and measured at fair value using present value discount rates. In computing the liability, management considers the estimated return on the invested assets and the contractual payment obligation during the expected term of each respective annuity agreement. The fair value estimates are classified as Level 3 in the fair value hierarchy.

The valuation for investments held directly by the Federation that are similar in nature to those held directly by the JUF significantly follow the methodologies of the JUF as described above. Additionally, the Federation directly holds the following significant investments for which their valuation methodologies are described below.

Money Market Funds – Represent the value at which shares may be purchased or sold. Money market funds are classified as Level 1 in the fair value hierarchy.

Other Investments (consisting of Life Insurance Cash Value) – Represents the net cash surrender value, based on actuarial computations. These investments are classified as Level 3 in the fair value hierarchy.

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 2 ) Investments (continued)**

**FASB ASC 820 (continued) -**

The following table sets forth by level, within the fair value hierarchy, the Federation's investments at fair value at August 31, 2010:

	Fair Value Measurements at			
	August 31, 2010			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Bonds	\$ -	\$ 4,962,009	\$ -	\$ 4,962,009
Certificate of Deposit	43,600	-	-	43,600
JUF Investment Portfolio* (Valued at June 30, 2010)	13,564,987	12,449,348	10,927,351	36,941,686
Alternative Investments	-	-	417,792	417,792
Money Market Funds	4,195,438	-	-	4,195,438
Equities	1,081,429	-	-	1,081,429
Mutual Funds	3,436,804	-	-	3,436,804
Other Investments	-	-	709,350	709,350
Real Estate Funds	-	-	168,065	168,065
<b>Total</b>	<b>\$ 22,322,258</b>	<b>\$ 17,411,357</b>	<b>\$ 12,222,558</b>	<b>\$ 51,956,173</b>

\* The allocation of the Foundation's investments held by the JUF within the FASB ASC 820 fair value hierarchy above is based proportionately upon the allocation of all of the JUF's investments within the fair value hierarchy.

The table below sets forth a summary of changes in the fair value of the level 3 investment assets.

Balance, Beginning of Year	\$ 23,715,119
Net Activity in the JUF Investment Portfolio*	(11,159,059)
Net Activity in Investments Held Directly by the Federation	(333,502)
Balance, End of Year	\$ <u>12,222,558</u>

\* Includes transfers to level 2 of approximately \$13 million.

**FSP FAS 117-1** - The Foundation follows the Uniform Management of Institutional Funds Act of 1972 ("UMIFA") and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA. Certain of the Foundation's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 2 ) Investments (continued)**

**FSP FAS 117-1 (continued) -**

The Foundation's Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents, the Board of Directors has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The Board of Directors approved an agreement for participation in the JUF and transferred significant investments of the Foundation to the JUF for management and investment purposes. The current long-term return objective is for the JUF to generate returns equivalent or exceeding national investment indices, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term objectives, the Foundation relies on a total return strategy as devised by the JUF, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The JUF targets a diversified asset allocation that places emphasis on large and small cap investments, international and emerging market investments, money market funds, and fixed equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The current spending policy is to distribute an amount at least equal to 5% of the fair value of the endowment funds. This policy is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of August 31, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 12,222,266	\$ 9,300,654	\$ 21,522,920
Unrestricted Donor-Advised Funds	17,948,985	-	-	17,948,985
<b>Total Funds</b>	<b>\$ 17,948,985</b>	<b>\$ 12,222,266</b>	<b>\$ 9,300,654</b>	<b>\$ 39,471,905</b>

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 2 ) Investments (continued)**

**FSP FAS 117-1 (continued) -**

Changes in endowment net assets during the year ended August 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, Beginning of Year	\$ 14,337,095	\$ 7,486,138	\$ 16,123,745	\$ 37,946,978
Contributions	3,344,293	-	-	3,344,293
Program Revenue	149,542	-	-	149,542
Other Revenue	28,927	-	-	28,927
Investment Gain (Loss)	(163,140)	41,339	-	(121,801)
Net Appreciation	1,990,746	1,564,904	-	3,555,650
Amounts Appropriated for Expenditure	(3,856,098)	-	-	(3,856,098)
Change in Value of Split-Interest Agreements	-	(641,276)	-	(641,276)
Reclassification	1,669,477	5,153,614	(6,823,091)	-
Releases From Restriction	448,143	(1,382,453)	-	(934,310)
Balance, End of Year	<u>\$ 17,948,985</u>	<u>\$ 12,222,266</u>	<u>\$ 9,300,654</u>	<u>\$ 39,471,905</u>

**( 3 ) Pledges receivable**

Unconditional promises to give at August 31, 2010 are as follows:

	<u>General Fund</u>	<u>Jewish Community Foundation</u>	<u>Land, Building and Equipment Fund</u>	<u>Total</u>
2006 and Prior	\$ 29,341	\$ -	\$ 160,000	\$ 189,341
2007	52,081	146,573	-	198,654
2008	330,438	-	-	330,438
2009	489,057	-	-	489,057
2009 Restricted	25,500	-	-	25,500
2010	5,445,270	-	-	5,445,270
2010 Restricted	159,740	-	-	159,740
2011 and Subsequent	221,200	-	-	221,200
2011 and Subsequent Restricted	50,000	-	-	50,000
	<u>6,802,627</u>	<u>146,573</u>	<u>160,000</u>	<u>7,109,200</u>
Less: Amount Representing Interest	-	(7,329)	-	(7,329)
Less: Allowance for Uncollectible Accounts	<u>(1,552,584)</u>	<u>-</u>	<u>(160,000)</u>	<u>(1,712,584)</u>
Present Value of Unconditional Promises to Give	<u>\$ 5,250,043</u>	<u>\$ 139,244</u>	<u>\$ -</u>	<u>\$ 5,389,287</u>

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 4 ) Other receivables**

Other receivables at August 31, 2010 are as follows:

General Fund	\$ 101,856
Jewish Education Commission	1,000
Jewish Community Facilities Corporation	452,404
Jewish Community Foundation Fund	170,827
Land, Building and Equipment Fund	65,000
Federation Transportation Services, Inc.	46,963
	46,963
Total Other Receivables	\$ 838,050

**( 5 ) Property and equipment**

Property and equipment at August 31, 2010 consists of:

	Land, Building and Equipment Fund	Federation Transportation Services, Inc.	Federation CCRC Development, LLC	Total
Land and Buildings	\$ 34,159,739	\$ -	\$ -	\$ 34,159,739
Construction in Progress	431,030	-	645,519	1,076,549
Improvements	12,772,979	-	-	12,772,979
Capital Equipment	3,588,330	49,231	-	3,637,561
Computers	805,635	8,377	-	814,012
Vehicles	64,795	828,015	-	892,810
	51,822,508	885,623	645,519	53,353,650
Less: Accumulated Depreciation	(23,957,211)	(827,924)	-	(24,785,135)
	\$ 27,865,297	\$ 57,699	\$ 645,519	\$ 28,568,515

**( 6 ) Bonds payable**

On January 24, 2008, the Federation, under the auspices of the National Jewish Federation Bond Program and a loan agreement by and between the Colorado Educational and Cultural Facilities Authority and the Federation, issued Colorado Educational and Cultural Facilities Authority Variable Rate Demand Revenue Bonds Series A-12 in the par amount of \$6,345,000 (the "Bonds"). The Bonds were issued with interest computed at a daily variable rate and mature on February 1, 2038. The bond agreement contains certain restrictive financial and non-financial covenants. As of August 31, 2010, in accordance with the terms of the bond agreement, the Bond Trustee has retained \$1,052,908 to be distributed to the Federation upon the submission of bond project related expenditures.

JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

( 6 ) Bonds payable (continued)

On January 25, 2008, the Federation entered into two agreements with Bank of America relating to the Bonds. The first agreement is a Bond Interest Rate Swap Agreement for the Series A-12 Bond issuance through maturity of the Bonds, at an all-in fixed interest rate of 3.451% that is based on a floating rate option of 70% of the one-month LIBOR interest rate.

The second agreement with Bank of America terminated the Federation's Interest Rate Swap Agreement that fixed interest on the 2004 Series A-2 bond issuance at 3.79% through February 1, 2019. The cost for early termination of the agreement, which was not material, was blended into the new swap agreement. The outstanding balance of the 2004 Series A-2 bond issuance (\$2,205,000) was retired from net proceeds of the Series A-12 Bonds.

Bonds payable maturities for the years subsequent to August 31, 2010 are as follows:

2011	\$	120,000
2012		125,000
2013		130,000
2014		135,000
2015		145,000
Thereafter		<u>5,575,000</u>
	\$	<u><u>6,230,000</u></u>

The net proceeds of the Series A-12 Bond Issuance, with no out of pocket closing costs, are being used for the following purposes:

- Retirement of the Series A-2 bond payable balance of \$2,205,000.
- Establishment of a \$1 million reserve to address anticipated material campus capital expenditures.
- Provide funding of approximately \$3,140,000 for completion of two significant campus construction projects:
  1. Expansion, modernization, and construction of a new entrance to the campus and guard house, on 95<sup>th</sup> Avenue South.
  2. Road and campus entry improvements to Central Park Blvd.

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 7 ) Deferred support and revenue**

Deferred support and revenue at August 31, 2010 consists of:

GENERAL FUND:	
Campaign Events and Miscellaneous	\$ 124,323
JEWISH EDUCATION COMMISSION:	
Advanced Tuition	115,130
JEWISH COMMUNITY FACILITIES CORPORATION:	
Miscellaneous	11,439
JEWISH COMMUNITY FOUNDATION FUND:	
Jewish Communal Fund	10,000
LAND, BUILDING AND EQUIPMENT FUND:	
Sponsorship of Signage	65,000
FEDERATION TRANSPORTATION SERVICES, INC.:	
Advanced Bus Fees	86
	\$ 325,978

**( 8 ) Capital lease obligations**

Leases for certain equipment are accounted for as capital leases. The following is a schedule by years of aggregate future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of August 31, 2010:

Years Ending August 31,	
2011	\$ 90,718
2012	79,674
2013	75,638
2014	11,546
	257,576
Total Minimum Lease Payments	257,576
Less: Amount Representing Interest	(18,055)
	\$ 239,521

**( 9 ) Letter of credit and revolving loan**

On February 18, 2010 the Federation obtained an irrevocable standby letter of credit in the amount of \$43,600. The letter of credit, which expires on February 17, 2011, is for the benefit of Florida Power & Light Company and is collateralized by a certificate of deposit in the amount of \$43,600 plus interest earned.

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 9 ) Letter of credit and revolving loan (continued)**

On November 2, 2009, the Federation closed on a \$2.5 million, twenty-four (24) month revolving line of credit agreement with BB&T Bank (the "Loan"). The Loan bears interest at the 30-Day LIBOR plus two and three-quarters percent (2.75%) per annum. The interest rate has a floor of 3.5%, or 2% above the interest rate on BB&T Bank's Business Investment Depository Account interest rate, whichever is higher (3.5% at August 31, 2010).

Proceeds of the Loan were used to retire an existing revolving loan. The outstanding principal balance of the Loan at August 31, 2010 is \$1,300,269. The Loan is collateralized by a first assignment of the Federation's BB&T Bank's Business Investment Depository Account maintained during the term of the Loan.

**( 10 ) Temporarily restricted net assets**

Temporarily restricted net assets are available for the following purposes or periods:

Periods after August 31, 2010	\$	4,022,713
Program Activities		8,926,920
Total Temporarily Restricted Net Assets	\$	12,949,633

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Restriction Accomplished By:		
Time	\$	841,892
Purpose		1,392,453
	\$	2,234,345

**( 11 ) Permanently restricted net assets**

Net assets were permanently restricted on behalf of the following organizations, agencies, and purposes at August 31, 2010:

Jewish Federation of South Palm Beach County, Inc.	\$	7,238,810
Jewish Education Commission		326,844
Israel		1,735,000
	\$	9,300,654

Certain endowments included in permanently restricted net assets allow for principal to be invaded.

JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

( 12 ) Jewish Community Foundation Fund

The following is a summary of the Foundation's net assets by type of fund included in the consolidated statement of financial position at August 31, 2010:

Philanthropic Funds

Donors have the opportunity to recommend to the Board of Directors that distributions be made to qualified 501(c)(3) organizations whose goals and objectives are consistent with the purposes of the Federation. \$ 12,961,355

Restricted Funds

Corpus of the funds is not to be distributed. Income on the corpus is distributed to various charities according to the agreement established by the donor at the time of the creation of the fund. 11,992,075

Unrestricted Funds

Corpus and income may be distributed upon the approval of the Foundation's Board of Directors and the Federation's Board of Directors. 8,652,865

Supporting Foundations

Supporting Foundations are separate non-profit entities that qualify as public charities because of their direct affiliation with the Federation. Each Supporting Foundation is managed by its own board of directors, including both family appointees and the appointees of the Federation. The Board of each Supporting Foundation manages the investments and approves grant distributions of its respective Supporting Foundation. 1,108,150

\$ 34,714,445

Included in Net Assets as:

Unrestricted \$ 17,948,985

Temporarily Restricted 7,464,806

Permanently Restricted 9,300,654

\$ 34,714,445

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 12 ) Jewish Community Foundation Fund (continued)**

In previous years, donors entered into split-interest agreements and established Charitable Gift Annuities, Charitable Remainder Trusts, and Charitable Lead Trusts, naming the Foundation as the Trustee. The following is a description of these agreements:

Charitable Gift Annuities - A Charitable Gift Annuity pays the designated beneficiary a fixed annual sum for the life of the beneficiary, and may continue to a surviving spouse after the beneficiary's death, in exchange for a gift made to the Foundation. In the year the gift is made, the donor will normally receive an income tax charitable deduction. Additionally, a portion of the annuity payments may be tax-free since it represents a portion of the return of principal that was a charitable gift.

Charitable Remainder Trusts - A Charitable Remainder Trust provides for the payment of distributions to designated beneficiaries over the trust's term. At the end of the trust's term, the remaining assets are to be available for the Foundation's use, subject to any donor imposed restrictions.

Charitable Lead Trusts - A Charitable Lead Trust pays income to the Federation for a specified period of time. At the termination of the trust, all gift assets are returned to the donor or other person(s) designated in the trust, such as children or grandchildren.

On an annual basis, the Foundation reviews the need to revalue the liability to make distributions to the designated beneficiaries based on actuarial assumptions. Changes in actuarial assumptions for split-interest agreements are reflected as changes in temporarily restricted net assets in the consolidated statement of activities. The present value of the estimated future payments (\$3,478,383 at August 31, 2010) is calculated using the applicable discount rates and mortality tables from Internal Revenue Service Publications.

**( 13 ) 401(k) Profit sharing plan**

The Federation has a 401(k) profit sharing plan (the "Plan"). The Plan covers substantially all full time employees who have completed one year of service. The Plan provides for a 3% safe harbor base contribution and a discretionary non-elective contribution of 1% which was suspended effective September 1, 2009. In addition, the Federation provided an employer matching contribution of 100% of the employee contribution up to 2% of compensation, which was suspended effective February 1, 2010. Contributions to the Plan for the year ended August 31, 2010 was \$156,748.

**( 14 ) Concentration of credit risk**

The Federation at times has cash in various accounts in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Federation has not experienced any losses in such accounts.

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 15 ) Community partnership agencies**

Effective September 1, 2001, the Federation split-off four agencies into the following separate 501(c)(3) corporations: The Adolph and Rose Levis Jewish Community Center, Inc. ("JCC"), Ruth Rales Jewish Family Service of South Palm Beach County, Inc. ("RRJFS"), Donna Klein Jewish Academy, Inc. ("DKJA"), and the Jewish Association for Residential Care, Inc. ("JARC").

The four agencies entered into a Community Partnership Agreement with the Federation as of September 1, 2001. The Community Partnership Agreement describes the Federation's and each agency's (collectively, the "Community Partnership Agencies") rights and responsibilities as a partnership in furthering the welfare of the Jewish community of South Palm Beach County, Israel, and the worldwide Jewish population. In addition, the Community Partnership Agreement defines the Marketing and Communications policy; the Multiple Appeals Guidelines, which defines a yearly moratorium on agency fundraising activities during the Federation's annual campaign; and the disclosure requirements for Agency gifts and bequests.

The four agencies entered into lease agreements with the Federation with terms ranging between 25 and 50 years, commencing September 1, 2001 for the buildings they occupy. The lease agreements define the use and restrictions of the demised premises, each agency's share of the allocated occupancy cost, cleaning and maintenance; repairs and replacement obligations, liability insurance, as well as other standard items of a property lease agreement. See also Note 16.

**( 16 ) Investments held on behalf of Community Partnership Agencies**

During the year ended August 31, 2010, all contributions, income, and gains or losses related to the specific investments held on behalf of the Community Partnership Agencies (Note 15) are reflected as an adjustment of the liability to these entities. As of August 31, 2010, the Federation was liable to these agencies as follows:

Adolph and Rose Levis Jewish Community Center, Inc.	\$ 1,680,946
Ruth Rales Jewish Family Service of South Palm Beach County, Inc.	3,542,360
Donna Klein Jewish Academy, Inc.	1,081,520
Jewish Association for Residential Care, Inc.	<u>3,375,910</u>
	<u>\$ 9,680,736</u>

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 17 ) Due to other entities**

During the year ended August 31, 2010, all contributions, income, and gains or losses related to the specific investments held on behalf of various other entities are reflected as an adjustment of the liability to these entities. As of August 31, 2010, the Federation was liable to these entities as follows:

Temple Beth El	\$ 928,116
Other Entities	<u>99,782</u>
	<u>\$ 1,027,898</u>

**( 18 ) Gould House apartments**

The Federation has determined it to be in the best interest of the Federation to assist in the redevelopment of a multifamily property commonly known as HUD Gould House Apartments, a/k/a Heritage Village (the "Property") located on the Federation campus in Boca Raton, Florida. The Federation is sponsoring an entity created by Federation-Gulfstream Housing, Inc., and a 501(c)(3) corporation, also sponsored by the Federation, for the purpose of serving as the general partner of a limited partnership which would refinance, rehabilitate, own and operate the Property.

To expedite the construction and finance phase of the Property, Federation has agreed to execute environmental indemnity agreements, guarantees, and other documents and instruments necessary for the financing or funding of the Property. Such funding is to include the syndication of low income housing tax credits and available tax-exempt and taxable bond or other mortgage financing, for the predevelopment, acquisition of and redevelopment of the Property.

Due to current economic and financial conditions in the debt and equity markets, the redevelopment of the Property has been delayed. The Property, which is subject to regulatory approvals, is currently being reassessed. There are no binding commitments requiring Federation to proceed with the Property.

It is management's opinion that Federation's financial exposure as a result of execution of the above referenced financial guarantees, indemnity and other agreements for completion of the Property are not material.

**( 19 ) Subsequent events**

After authorizing the performance of detailed due diligence associated with the possible development of a state-of-the-art Continuing Care Retirement Community ("CCRC") occupying twenty-two (22) acres on the north campus of Federation, to include 232 independent living units, 48 assisted living units, 48 skilled nursing beds, and 24 memory support units, at an estimated total cost of \$160 million (the "Project"), the Federation's Board on August 28, 2009 authorized additional Phase I Project due diligence by retention of a CCRC Project consultant.

**JEWISH FEDERATION OF SOUTH PALM BEACH COUNTY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 19 ) Subsequent events (continued)**

On February 23, 2010, the Federation's Board approved the undertaking of further CCRC Project due diligence to evaluate Phase II of the Project. Among other charges, Phase II authorized the formation of a Limited Liability Corporation, Federation CCRC Development, LLC (the "LLC"), to further develop the Project, negotiate agreements, file an Industrial Development Bond Application with Palm Beach County for issuance of bond anticipation notes, and to form two not for profit entities, Federation CCRC Operations Corp. ("Operations Corp."), and the Federation CCRC Property Corp. ("Property Corp."), to operate, develop property, and/or enter into management agreements with vendors to operate the CCRC. Operations Corp. and Property Corp. are not currently operating entities.

On March 25, 2010, the LLC filed an Industrial Development Revenue Bond Application (the "Application") for the CCRC Project with Palm Beach County in the amount of \$9 million. On April 23, 2010, the Palm Beach County Business Development Board recommended to the Palm Beach County Attorney that the County proceed with final review of the Application.

Phase I and II due diligence required to evaluate the opportunity to develop the CCRC Project by affiliates of the Federation was completed during July 2010.

On October 14, 2010, the Federation's Board authorized the LLC or its subsidiary not for profit entities to finalize and enter into contractual agreements with CCRC design/development, consulting and capital finance/underwriting entities in order to effectuate further pre-development and development activities in connection with the CCRC, proceed with the issuance of CCRC pre-development financing bond anticipation notes in the face amount of \$9 million via Palm Beach County Industrial Development Revenue Bonds, and authorized the conveyance of the title to approximately twenty-two (22) acres of land on the north campus of Federation from Federation to the LLC, or to Property Corp, as applicable, that will be the site of the CCRC Project.

Through January 2011, the Federation has incurred CCRC Project predevelopment and research costs of approximately \$856,000 (including \$645,519 as of August 31, 2010), to be repaid from the proceeds of the issuance of the CCRC Project Palm Beach County Industrial Development Revenue Bonds. In the event that the CCRC Project does not proceed, all associated costs will be recognized as a current operating expense in the period the Project is terminated.

On January 11, 2011, the Palm Beach County Commissioner's office unanimously approved Federation CCRC Development LLC's issuance of Bond Anticipation Notes in the amount of \$9 million, for Sinai Residences of Boca Raton.

In December 2010, the Federation reached a net severance agreement with a former employee. This agreement does not have a material effect upon the financial operations of the Federation.

The Federation has evaluated subsequent events through January 14, 2011, which is the date the consolidated financial statements were available to be issued.

**JEWISH FEDERATION  
OF SOUTH PALM BEACH COUNTY, INC.  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2010**

	General Fund	Jewish Education Commission	Jewish Community Facilities Corporation	Jewish Community Foundation Fund	Land, Building and Equipment Fund	Federation Transportation Services, Inc.	Federation CCRC Development, LLC	Eliminations	Total
<b>Assets</b>									
Cash and Cash Equivalents (Notes 1M, 9, and 14)	\$ 3,482,132	\$ -	\$ 600	\$ -	\$ -	\$ 400	\$ 218	\$ -	\$ 3,483,350
Investments (Notes 1D, 1O, and 2)	1,358,592	-	-	53,383,373	-	-	-	(2,785,792)	51,956,173
Pledges Receivable, Net (Notes 1C, 1E, and 3)	5,250,043	-	-	139,244	-	-	-	-	5,389,287
Bond Proceeds Receivable (Note 6)	-	-	-	-	1,052,908	-	-	-	1,052,908
Other Receivables (Note 4)	101,856	1,000	452,404	170,827	65,000	46,963	-	-	836,050
Prepaid Expenses and Other Assets	150,746	1,464	240,470	1,038	369,387	39,145	-	-	802,250
Property and Equipment, Net (Notes 1F and 5)	-	-	-	-	27,865,297	57,699	645,519	-	28,568,515
Due (To) From the Jewish Federation of South Palm Beach County, Inc.	31,180,369	(1,862,006)	(23,395,370)	(4,724,611)	(57,484)	(495,247)	(132)	(645,519)	-
Total Assets	\$ 41,523,738	\$ (1,859,542)	\$ (22,701,896)	\$ 48,969,871	\$ 29,295,108	\$ (351,040)	\$ 645,605	\$ (3,431,311)	\$ 92,090,533
<b>Liabilities and Net Assets</b>									
Accounts Payable and Accrued Liabilities	\$ 967,057	\$ 18,992	\$ 137,086	\$ 58,409	\$ 25,427	\$ 26,575	\$ 645,519	\$ (645,519)	\$ 1,233,546
Liability Under Split-Interest Agreements (Note 12)	-	-	-	3,478,383	-	-	-	-	3,478,383
Allocations Payable: (Note 1G)	-	-	-	-	-	-	-	-	-
Jewish Federations of North America	-	-	-	-	-	-	-	-	-
- Current	1,575,000	-	-	-	-	-	-	-	1,575,000
- Prior	3,793,913	-	-	-	-	-	-	-	3,793,913
Other Beneficiaries	1,091,567	-	-	-	-	-	-	-	1,091,567
Community Partnership Agencies	694,000	-	-	-	-	-	-	-	694,000
Due to Community Partnership Agencies (Notes 15 and 16)	-	-	-	9,680,736	-	-	-	-	9,680,736
Due to Other Entities (Note 17)	-	-	-	1,027,898	-	-	-	-	1,027,898
Deferred Support and Revenue (Notes 1C and 7)	-	-	11,439	10,000	65,000	86	-	(2,785,792)	325,978
Loans Payable	124,323	115,130	-	-	-	-	-	-	239,453
Revolving Loan Payable (Note 9)	2,785,792	-	-	-	-	-	-	-	2,785,792
Bonds Payable (Note 6)	1,300,269	-	-	-	6,230,000	-	-	-	7,530,269
Capital Lease Obligations (Note 8)	-	-	-	-	221,467	18,054	-	-	239,521
Total Liabilities	12,331,921	134,122	148,525	14,255,426	6,541,894	44,715	645,519	(3,431,311)	30,670,811
Contingencies (Notes 9 and 15)	-	-	-	-	-	-	-	-	-
Net Assets:									
Unrestricted	20,842,614	(1,993,808)	(22,850,421)	17,948,985	17,995,754	(395,755)	86	-	31,547,455
Unrestricted - Designated	7,621,880	-	-	-	-	-	-	-	7,621,880
Total Unrestricted (Note 1C)	28,464,594	(1,993,808)	(22,850,421)	17,948,985	17,995,754	(395,755)	86	-	39,169,435
Temporarily Restricted (Notes 1C and 10)	727,223	144	-	7,464,806	4,757,460	-	-	-	12,949,633
Permanently Restricted (Notes 1C and 11)	-	-	-	9,300,654	-	-	-	-	9,300,654
Total Net Assets	29,191,817	(1,993,664)	(22,850,421)	34,714,445	22,753,214	(395,755)	86	-	61,419,722
Total Liabilities and Net Assets	\$ 41,523,738	\$ (1,859,542)	\$ (22,701,896)	\$ 48,969,871	\$ 29,295,108	\$ (351,040)	\$ 645,605	\$ (3,431,311)	\$ 92,090,533

**JEWISH FEDERATION  
OF SOUTH PALM BEACH COUNTY, INC.  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2010**

**UNRESTRICTED**

	General Fund	Jewish Education Commission	Jewish Community Facilities Corporation	Jewish Community Foundation Fund	Land, Building and Equipment Fund	Federation Transportation Services, Inc.	Federation CCR Development, LLC	Eliminations	Total
<b>Support:</b>									
Gross Annual Campaign (Note 1C)	\$ 14,524,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,524,655
Less: Provided Via									
Jewish Community Foundation								(1,690,751)	12,833,904
Net Annual Campaign	199,718	124,238	-	3,344,293	89,656	1,490	-	(18,938)	3,740,419
Other Pledges, Grants, and Contributions									(1,191,989)
Less: Provision for Uncollectible Pledges									
<b>Total Support</b>	<b>13,532,384</b>	<b>124,238</b>	<b>-</b>	<b>3,344,293</b>	<b>89,656</b>	<b>1,450</b>	<b>-</b>	<b>(1,709,687)</b>	<b>15,387,334</b>
<b>Revenue:</b>									
Program Revenue	299,226	768,734	22,889	149,542	-	517,284	-	(31,919)	1,725,758
Interest and Dividend Income	84,170	-	-	250,651	316	-	86	-	335,223
Realized (Losses)	-	-	-	(413,791)	-	-	-	-	(413,791)
Unrealized Gains	-	-	-	1,990,746	-	-	-	-	1,990,746
Inter-Agency Charges	6,475	-	144,620	-	-	7,472	-	(152,092)	144,954
Community Partnership Entities	356,265	420	1,869,635	28,927	-	2,661	-	-	2,257,909
Other Revenue									
<b>Total Revenue</b>	<b>746,136</b>	<b>769,154</b>	<b>2,175,623</b>	<b>2,006,075</b>	<b>316</b>	<b>527,417</b>	<b>86</b>	<b>(184,011)</b>	<b>6,040,798</b>
<b>Total Support and Revenue</b>	<b>14,278,520</b>	<b>893,392</b>	<b>2,175,623</b>	<b>5,350,368</b>	<b>89,972</b>	<b>528,867</b>	<b>86</b>	<b>(1,893,698)</b>	<b>21,423,132</b>
<b>Net Assets Released from Restrictions</b>	<b>851,892</b>	<b>-</b>	<b>-</b>	<b>448,143</b>	<b>934,310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,234,345</b>
<b>Expenses:</b>									
<b>Allocations:</b>									
Jewish Federations of North America	1,575,000	-	-	-	-	-	-	-	1,575,000
Other Beneficiaries	699,586	-	-	-	-	-	-	-	699,586
Community Partnership Entities	2,877,673	-	2,224,000	-	2,013,614	-	-	-	7,115,287
Distributions									1,696,007
<b>Total Allocations and Distributions</b>	<b>5,152,261</b>	<b>-</b>	<b>2,224,000</b>	<b>3,112,465</b>	<b>2,306,843</b>	<b>-</b>	<b>-</b>	<b>(1,709,687)</b>	<b>11,085,882</b>
<b>Programs</b>									
Management/Administration	164,002	995,066	-	743,323	109,751	520,116	-	(184,011)	2,346,247
Fundraising	3,503,121	-	3,966,598	-	-	-	-	-	7,469,719
Depreciation	2,635,756	-	-	-	-	27,536	-	-	2,663,292
Interest	161,004	-	-	310	206,856	1,525	-	-	369,695
Allocation of Functional Expenses to Community Partnership Agencies	(353,700)	-	(2,224,000)	-	-	-	-	-	(2,577,700)
<b>Total Functional Expenses (Note 1L, Pages 4 and 31)</b>	<b>6,110,183</b>	<b>995,066</b>	<b>1,742,598</b>	<b>743,633</b>	<b>1,040,257</b>	<b>549,177</b>	<b>-</b>	<b>(184,011)</b>	<b>10,996,903</b>
<b>Total Expenses</b>	<b>11,262,444</b>	<b>995,066</b>	<b>3,966,598</b>	<b>3,856,098</b>	<b>3,347,100</b>	<b>549,177</b>	<b>-</b>	<b>(1,893,698)</b>	<b>22,082,785</b>
<b>Change in Net Assets</b>	<b>3,867,970</b>	<b>(101,674)</b>	<b>(1,790,975)</b>	<b>1,942,413</b>	<b>(2,322,818)</b>	<b>(20,310)</b>	<b>86</b>	<b>-</b>	<b>1,574,692</b>
<b>Unrestricted Net Assets -- Beginning</b>	<b>24,596,624</b>	<b>(1,892,134)</b>	<b>(21,059,446)</b>	<b>14,337,095</b>	<b>20,318,572</b>	<b>(375,445)</b>	<b>-</b>	<b>-</b>	<b>35,925,266</b>
<b>Reclassification (Note 1N)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,669,477</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,669,477</b>
<b>Unrestricted Net Assets -- End</b>	<b>\$ 28,464,594</b>	<b>\$ (1,993,808)</b>	<b>\$ (22,850,421)</b>	<b>\$ 17,948,985</b>	<b>\$ 17,995,754</b>	<b>\$ (395,755)</b>	<b>\$ 86</b>	<b>\$ -</b>	<b>\$ 39,169,435</b>

JEWISH FEDERATION  
OF SOUTH PALM BEACH COUNTY, INC.  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2010

TEMPORARILY RESTRICTED

	General Fund	Jewish Education Commission	Jewish Community Facilities Corporation	Jewish Community Foundation Fund	Land, Building and Equipment Fund	Federation Transportation Services, Inc.	Federation CCRC Development, LLC	Eliminations	Total
Support:									
Gross Annual Campaign (Future) (Note 1C)	\$ 471,833	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 471,833
Other Pledges, Grants, and Contributions	-	-	-	-	-	-	-	-	-
Less: Provision for Uncollectible Pledges	-	-	-	-	-	-	-	-	-
Total Support	471,833	-	-	-	-	-	-	-	471,833
Revenue:									
Interest and Dividend Income	-	-	-	88,425	27,885	-	-	-	116,310
Realized (Losses)	-	-	-	(62,286)	(12,685)	-	-	-	(74,971)
Unrealized Gains	-	-	-	1,041,948	522,956	-	-	-	1,564,904
Change in Value of Split-Interest Agreements	-	-	-	(641,276)	-	-	-	-	(641,276)
Total Revenue	-	-	-	426,811	538,156	-	-	-	964,967
Total Support and Revenue	471,833	-	-	426,811	538,156	-	-	-	1,436,800
Net Assets Released from Restrictions	(851,892)	-	-	(448,143)	(934,310)	-	-	-	(2,234,345)
Change in Net Assets	(380,059)	-	-	(21,332)	(396,154)	-	-	-	(797,545)
Temporarily Restricted Net Assets – Beginning	1,107,282	144	-	7,486,138	-	-	-	-	8,593,564
Reclassification (Note 1N)	-	-	-	-	5,153,614	-	-	-	5,153,614
Temporarily Restricted Net Assets – End	\$ 727,223	\$ 144	\$ -	\$ 7,464,806	\$ 4,757,460	\$ -	\$ -	\$ -	\$ 12,949,633

JEWISH FEDERATION  
OF SOUTH PALM BEACH COUNTY, INC.  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2010

PERMANENTLY RESTRICTED

	General Fund	Jewish Education Commission	Jewish Community Facilities Corporation	Jewish Community Foundation Fund	Land, Building and Equipment Fund	Federation Transportation Services, Inc.	Federation CCRC Development, LLC	Eliminations	Total
Support:									
Other Pledges, Grants, and Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Assets Released from Restrictions	-	-	-	-	-	-	-	-	-
Change in Net Assets	-	-	-	-	-	-	-	-	-
Permanently Restricted Net Assets -- Beginning	-	-	-	9,300,654	6,823,091	-	-	-	16,123,745
Reclassification (Note 1N)	-	-	-	-	(6,823,091)	-	-	-	(6,823,091)
Permanently Restricted Net Assets -- End	\$ -	\$ -	\$ -	\$ 9,300,654	\$ -	\$ -	\$ -	\$ -	\$ 9,300,654

JEWISH FEDERATION  
OF SOUTH PALM BEACH COUNTY, INC.  
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED AUGUST 31, 2010

	General Fund	Jewish Education Commission	Jewish Community Facilities Corporation	Jewish Community Foundation	Land, Building and Equipment Fund	Federation Transportation Services, Inc.	Federation CCRC Development	Eliminations	Total
Administration	\$ 95,623	\$ 3,917	\$ 12,504	\$ 3,223	\$ 54,281	\$ 3,922	\$ -	\$ (41,081)	\$ 132,389
Building and Equipment	61,291	75	945,892	2,606	55,309	88,522	-	(1,604)	1,149,091
Depreciation	-	-	-	-	723,650	27,536	-	-	751,186
Dues and Subscriptions	20,816	13,685	199	1,075	-	-	-	-	35,775
Insurance	2,000	-	349,604	150,642	-	66,466	-	-	568,712
Interest	161,004	-	-	310	206,856	1,525	-	-	369,695
Local and Non-Local Meetings	49,104	1,654	4,082	1,054	-	212	-	-	56,106
Occupancy	5,510	-	1,080,990	-	161	-	-	-	1,086,661
P postage and Shipping	59,551	4,573	281	3,172	-	105	-	-	67,682
Printing and Publicity	229,128	24,115	62,549	7,147	-	1,336	-	(33,950)	290,345
Salaries, Benefits, and Taxes	4,208,577	23,498	1,106,273	474,837	-	357,503	-	-	6,170,688
Services and Programs	1,571,279	923,549	404,224	99,567	-	5,050	-	(107,396)	2,896,273
Allocation of Functional Expenses to Community Partnership Agencies	(353,700)	-	(2,224,000)	-	-	-	-	-	(2,577,700)
Total Functional Expenses (See Page 28)	\$ 6,110,183	\$ 995,066	\$ 1,742,598	\$ 743,633	\$ 1,040,257	\$ 549,177	\$ -	\$ (184,011)	\$ 10,996,903