

JEWISH COMMUNITY CENTER OF  
SAN FRANCISCO

JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# Jewish Community Center of San Francisco

## Independent Auditors' Report and Financial Statements

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**Independent Auditors' Report**

THE BOARD OF DIRECTORS  
JEWISH COMMUNITY CENTER OF SAN FRANCISCO  
San Francisco, California

We have audited the accompanying statement of financial position of **JEWISH COMMUNITY CENTER OF SAN FRANCISCO (the Center)** as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's fiscal year ended June 20, 2006 financial statements, and in our report dated October 6, 2006, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Community Center of San Francisco as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



December 21, 2007

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# Jewish Community Center of San Francisco

## Statement of Financial Position

<i>June 30,</i>	2007	2006
<b>Assets</b>		
Cash	\$ 1,187,221	\$ 1,828,115
Receivables	735,081	860,244
Pledges receivable	6,151,079	7,837,593
Other assets	383,194	336,483
Investments	70,459,685	69,880,176
Property and equipment	56,773,177	58,502,818
Fixed assets held for sale	328,403	
Interest rate swap	731,481	
Bond issuance costs, net	1,684,721	1,546,767
Total assets	\$ 138,434,042	\$ 140,792,196
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,435,954	\$ 1,646,791
Accrued vacation	390,525	343,990
Deferred revenue	1,805,344	1,848,675
Other liabilities	185,723	
Capitalized lease obligation	142,680	
Bonds payable	60,420,000	64,575,000
Total liabilities	64,380,226	68,414,456
<b>Net Assets:</b>		
Unrestricted	65,577,339	63,852,100
Temporarily restricted	6,446,477	6,525,640
Permanently restricted	2,030,000	2,000,000
Total net assets	74,053,816	72,377,740
Total liabilities and net assets	\$ 138,434,042	\$ 140,792,196

# Jewish Community Center of San Francisco

## Statement of Activities and Changes in Net Assets

Year Ended June 30, 2007 (with comparative totals for 2006)

	2007			Total	2006 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support and Revenue:</b>					
Contributions	\$ 1,743,257	\$ 3,059,000	\$ 30,000	\$ 4,832,257	\$ 10,298,220
Membership	8,342,290			8,342,290	7,687,518
Program revenue	10,050,520			10,050,520	9,141,162
Investment income	5,281,256			5,281,256	2,403,839
Special event revenue	349,105			349,105	351,338
Miscellaneous	1,667,502			1,667,502	1,502,002
Release of restrictions	3,138,163	(3,138,163)			
<b>Total support and revenue</b>	<b>30,572,093</b>	<b>(79,163)</b>	<b>30,000</b>	<b>30,522,930</b>	<b>31,384,079</b>
<b>Expenses:</b>					
Program services:					
Early Childhood Education	5,340,606			5,340,606	4,752,113
Youth and recreation	4,606,206			4,606,206	4,258,071
Adults	4,355,339			4,355,339	3,210,609
Émigré	1,054,114			1,054,114	1,076,925
Fitness	7,143,154			7,143,154	6,816,325
<b>Total program services</b>	<b>22,499,419</b>			<b>22,499,419</b>	<b>20,114,043</b>
Supporting services:					
Management and general	4,620,095			4,620,095	4,515,382
Fundraising	966,549			966,549	677,343
<b>Total supporting services</b>	<b>5,586,644</b>			<b>5,586,644</b>	<b>5,192,725</b>
<b>Total expenses</b>	<b>28,086,063</b>			<b>28,086,063</b>	<b>25,306,768</b>
<b>Changes in Net Assets from Operations</b>	<b>2,486,030</b>	<b>(79,163)</b>	<b>30,000</b>	<b>2,436,867</b>	<b>6,077,311</b>
<b>Other Changes:</b>					
Change in fair value of interest rate swap	731,481			731,481	
Loss on refunding of bonds	(1,492,272)			(1,492,272)	
	(760,791)			(760,791)	
<b>Changes in Net Assets</b>	<b>1,725,239</b>	<b>(79,163)</b>	<b>30,000</b>	<b>1,676,076</b>	<b>6,077,311</b>
<b>Net Assets, beginning of year</b>	<b>63,852,100</b>	<b>6,525,640</b>	<b>2,000,000</b>	<b>72,377,740</b>	<b>66,300,429</b>
<b>Net Assets, end of year</b>	<b>\$ 65,577,339</b>	<b>\$ 6,446,477</b>	<b>\$ 2,030,000</b>	<b>\$ 74,053,816</b>	<b>\$ 72,377,740</b>

## Jewish Community Center of San Francisco

### Statement of Functional Expenses

Year Ended June 30, 2007 (with comparative totals for 2006)

	Program Services					Total Program Services	Supporting Services		2007 Total Expenses	2006 Total Expenses
	Early Childhood Education	Youth & Recreation	Adults	Émigré	Fitness		Management and General	Development		
Salaries	\$ 2,964,630	\$ 2,210,274	\$ 1,376,811	\$ 480,243	\$ 3,379,127	\$ 10,411,085	\$ 1,662,117	\$ 573,315	\$ 12,646,517	\$ 11,385,208
Employee and retirement benefits	611,938	380,417	192,647	74,408	366,719	1,626,129	295,996	69,343	1,991,468	1,726,947
Payroll taxes	250,551	203,652	112,271	41,392	309,238	917,104	127,879	41,951	1,086,934	1,005,297
Total salaries and related expenses	3,827,119	2,794,343	1,681,729	596,043	4,055,084	12,954,318	2,085,992	684,609	15,724,919	14,117,452
Building occupancy	380,917	216,206	198,832	45,991	355,119	1,197,065	607,196	6,181	1,810,442	1,801,522
Supplies	136,915	265,982	273,584	47,884	437,791	1,162,156	78,788	5,529	1,246,473	1,162,751
Professional fees	112,520	130,783	663,723	15,551	392,602	1,315,179	208,591	43,143	1,566,913	1,170,723
Interest, LOC remarketing costs	410,325	320,703	300,753	69,782	612,688	1,714,251	734,679	-	2,448,930	2,367,210
Printing and publications	83,899	96,342	362,482	36,269	24,618	603,610	75,588	50,811	730,009	598,384
Postage	18,866	30,699	77,269	17,889	10,339	155,062	17,403	23,847	196,312	181,992
Special events and scrip costs	90,858	2,269	3,922	94	9,215	106,358	1,615	57,571	165,544	147,316
Equipment	30,085	33,676	54,624	3,712	61,448	183,545	66,078	6,311	255,934	287,049
Transportation	19,671	82,687	133,425	9,984	9,788	255,555	6,265	1,958	263,778	145,539
Investment management fees	34,393	26,880	25,208	5,849	51,354	143,684	61,579	-	205,263	152,870
Bank service fees	628	200	465	19	251,487	252,799	68,373	197	321,369	290,933
Telephone and internet	4,597	3,161	3,604	1,876	10,027	23,265	43,718	455	67,438	52,686
Bond issuance costs	14,580	11,395	10,686	2,479	21,770	60,910	26,106	-	87,016	120,085
amortization	-	-	-	-	-	-	-	-	-	-
Conference and meetings	25,953	16,240	17,493	7,184	17,749	84,619	28,202	5,988	118,809	69,944
Organization dues	4,241	5,742	8,072	706	5,472	24,233	29,082	15,187	68,502	52,649
Temporary staff	29,460	14,791	12,487	2,897	49	59,684	50,525	136	110,345	82,764
Miscellaneous	11,884	40,973	10,094	26,400	74,802	164,153	97,841	25,403	287,397	183,381
Total expenses before depreciation	5,236,911	4,093,072	3,838,452	890,609	6,401,402	20,460,446	4,287,621	927,326	25,675,393	22,985,250
Depreciation	103,695	513,134	516,887	163,505	741,752	2,038,973	332,474	39,223	2,410,670	2,321,518
	\$ 5,340,606	\$ 4,606,206	\$ 4,355,339	\$ 1,054,114	\$ 7,143,154	\$ 22,499,419	\$ 4,620,095	\$ 966,549	\$ 28,086,063	\$ 25,306,768

The accompanying notes are an integral part of this statement.

# Jewish Community Center of San Francisco

## Statement of Cash Flows

<i>Year Ended June 30,</i>	2007	2006
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 1,676,076	\$ 6,077,311
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,410,670	2,321,518
Amortization of bond issuance costs	87,016	103,450
Loss on refunding of bonds	1,492,272	
Loss on disposal of fixed assets	17,709	12,523
Net realized and unrealized gains in investments	(2,219,312)	360,334
Change in fair value of interest rate swap	(731,481)	
Changes in operating assets and liabilities:		
Receivables, including pledges	1,811,677	(1,693,809)
Other assets	(46,711)	169,582
Accounts payable and accrued expenses	(210,837)	413,792
Accrued vacation	46,535	(77,349)
Deferred revenue	(43,331)	334,384
<b>Net cash provided by operating activities</b>	<b>4,290,283</b>	<b>8,021,736</b>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of property and equipment		23,000
Payments for property and equipment	(698,738)	(392,180)
Proceeds from sale of investments	98,289,544	51,665,557
Acquisition of investments	(96,649,741)	(58,380,370)
<b>Net cash used by investing activities</b>	<b>941,065</b>	<b>(7,083,993)</b>
<b>Cash Flows from Financing Activities:</b>		
Payments for debt issuance costs	(1,717,242)	
Proceeds from bonds payable	60,420,000	
Payment on bonds payable	(64,575,000)	(1,425,000)
<b>Net cash used by financing activities</b>	<b>(5,872,242)</b>	<b>(1,425,000)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(640,894)</b>	<b>(487,257)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,828,115</b>	<b>2,315,372</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,187,221</b>	<b>\$ 1,828,115</b>
<b>Supplemental Information:</b>		
Interest paid	\$ 2,473,862	\$ 2,433,387
<b>Non-Cash Transactions:</b>		
Fixed assets acquired through capital leases	\$ 142,680	
Fixed assets acquired through other liability	185,723	

# Jewish Community Center of San Francisco

## Notes to Financial Statements

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### Note 1 - Nature of Activities and Significant Accounting Policies:

Jewish Community Center of San Francisco (the Center) is a non-profit organization serving the needs of the San Francisco Jewish Community by providing social, cultural, recreational and preschool educational programs. Although the core mission is primarily oriented to the Jewish community, the programs in the Center are open to the general public.

The Center generates its revenues primarily from contributions, membership dues, and program service fees.

The significant accounting policies are as follows:

a. Basis of Presentation

The Center reports information regarding its financial position and activities according to their classes of net assets: unrestricted, temporarily restricted and permanently restricted.

*Unrestricted Net Assets* - The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The Board has designated funds of \$2,898,175 at June 30, 2007 which was determined based on policy established by the Board to provide reserves for repairs and replacement costs to maintain the facility.

*Temporarily Restricted Net Assets* - The portion of net assets whose use by the Center is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Center.

*Permanently Restricted Net Assets* - The portion of net assets whose use by the Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center.

b. Revenue Recognition

Membership dues, program service fees and other revenues are recognized as revenue when earned.

Contributions and grants are recognized at their fair value when received or when the donor/grantor makes an unconditional promise to give to the Center. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free rates applicable in the years in which those promises are received (4.20% at June 30, 2007). Amortization of the discount is included in contribution revenue.

# Jewish Community Center of San Francisco

## Notes to Financial Statements

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Contributions that are restricted by the donor/grantor are reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions and grants are recognized. All other donor restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

The Center uses the direct write-off method for uncollectible receivables.

c. Cash Equivalents

For purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity date of three months or less to be cash equivalents.

Cash which is considered as an investment of the Center is not included as part of cash and cash equivalents for the purposes of the statement of cash flows.

d. Investments

Investments are valued at fair value based on quoted market price with realized and unrealized gains or losses reflected in the Statement of Activities and Changes in Net Assets. Investments include restricted investments held in trust in accordance with the Center's bonds payable agreement.

The investments in the Bernstein Global Style Blend Series within a Delaware Business Trust (Bernstein Global) is based upon fair values of the underlying assets as reported by the entity in its financial statements and as determined by the fund manager. The underlying assets are marketable securities with quoted market prices. Due to the inherent uncertainty of valuation of nonmarketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material.

e. Property and Equipment

Property and equipment are recorded at cost when purchased. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets ranging from five to forty years.

f. Bond Issuance Costs

Bond issuance costs are being amortized over the life of the bonds using the straight-line method, which approximates the effective yield method of amortization.

# Jewish Community Center of San Francisco

## Notes to Financial Statements

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g. Deferred Revenue

Deferred revenue represents activity fees received from participants in advance of the related program activity.

h. Functional Expenses Allocations

Expenses, such as salaries and wages, occupancy costs, supplies, travel and employee expenses, depreciation and amortization, are allocated among program services, management and general, and fund raising classifications based on square footage and on estimates of usage or time made by the Center's management.

i. Income Taxes

The Center is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Sections 23701(d) of Revenue and Taxation Code of the State of California, respectively.

j. Use 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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

k. Financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2006 from which the summarized information was derived.

l. Reclassifications

Certain items as reported for June 30, 2006 have been reclassified to conform with the June 30, 2007 financial statement presentation. Such reclassification had no effect on the financial position or statement of activities and changes in net assets.

# Jewish Community Center of San Francisco

## Notes to Financial Statements

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m. Fair Value of Financial Instruments and Interest Rate Swap Agreement

Investments are stated at fair value. The carrying amount of cash and cash equivalents, receivables and prepaid expenses, accounts payable and accrued expenses and other payables approximates fair value because of the short maturities of these financial instruments. The fair value of bonds payable approximates their carrying value.

The fair market value of the interest rate swap is accrued as market rates change. Changes in the fair market value of the interest rate swap is reported as change in fair value of interest rate swap on the Statement of Activities and Changes in Net Assets.

n. Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were \$264,817 and \$210,894 for the years ended June 30, 2007 and 2006, respectively.

o. Contributed Services

Many individuals volunteer their time and perform a variety of tasks that assist the Center. The Center receives more than 7,500 volunteer hours per year. The value of this contributed time is not reflected in the financial statements because there is no objective means of measurement or valuation.

p. Recent Accounting Pronouncements

Fair Value Measurements - In September 2006, the FASB issued FAS No. 157, "Fair Value Measurements," which defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and expands disclosures about fair value measurements. FAS 157 is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value. FAS 157 does not expand or require any new fair value measures and is effective for fiscal periods beginning after November 15, 2007. The Center is currently evaluating what effect, if any, the adoption of FAS No. 157 will have on the Center's financial statements.

In February 2007, FASB issued FAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115", (effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The Center is currently evaluating what effect, if any, the adoption of SFAS No. 159 will have on the Center's financial statements.

# Jewish Community Center of San Francisco

## Notes to Financial Statements

Accounting for Uncertainty in Income Taxes - In June 2006, the FASB issued FASB Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes” – an interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements and provides guidance on the recognition, de-recognition and measurement of benefits related to an entity’s uncertain tax position. This guidance will apply to fiscal years beginning after December 15, 2007. The Center is currently evaluating what effect, if any, the adoption of FIN 48 will have on the Center’s financial statements.

### Note 2 - Pledges Receivable:

Pledges receivable consist of amounts due from the Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties (Federation) and capital campaign pledges and foundation grants which are due as follows at June 30, 2007 and 2006.

	2007	2006
Amounts due in:		
One year	\$ 3,322,154	\$ 3,943,063
Two to five years	3,078,663	4,326,175
	<hr/>	<hr/>
	6,400,817	8,269,238
Less discount to net present value	(249,738)	(431,645)
	<hr/>	<hr/>
Total	6,151,079	7,837,593
Less current portion	(3,322,154)	(3,943,063)
	<hr/>	<hr/>
Noncurrent portion	\$ 2,828,925	\$ 3,894,530

Management has not recorded an allowance for uncollectible pledges receivable as they have determined all amounts to be collectible.

# Jewish Community Center of San Francisco

## Notes to Financial Statements

**Note 3 - Investments:**

Investments consisted of the following at:

<b>June 30, 2007</b>	Cost	Market
Cash and money market funds	\$ 6,867,882	\$ 6,867,903
Corporate stock	4,064,826	4,868,515
Corporate bonds	15,401,859	15,473,545
U.S. Government	1,623,850	1,602,889
Mortgage and asset-backed securities	23,300,471	23,334,209
Mutual Fund	13,681,714	14,128,399
Bernstein Global Style Blend Series	3,000,000	3,469,959
Other	717,191	714,266
	\$ 68,657,793	\$ 70,459,685

<b>June 30, 2006</b>	Cost	Market
Cash and money market funds	\$ 4,168,410	\$ 4,168,410
Corporate stock	2,949,491	3,150,602
Corporate bonds	17,075,362	16,855,723
U.S. Government	8,344,219	8,332,554
Mortgage and asset-backed securities	32,121,371	31,992,870
Agencies	3,640,851	3,617,564
Other	1,799,119	1,762,453
	\$ 70,098,823	\$ 69,880,176

Total investments shown above include a debt service reserve account in the amount of \$4,300,000 for the year ended June 30, 2006. This reserve account was used to fund payments of interest and principal related to the Center's bonds payable during the year ended June 30, 2007.

As of June 30, 2007, Bernstein Global, as managed by Alliance Capital Management L.P., had an objective of seeking long-term capital growth on a total return basis through investment in equity securities of companies located around the world.

# Jewish Community Center of San Francisco

## Notes to Financial Statements

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The ultimate liquidation of the investment in Bernstein Global is restricted. The restrictions include a 15 day lockup period and a 10 day notification requirement. Liquidation is generally limited to sale to the fund manager or distributions from the fund. There are no capital commitments entered into by the Center as of June 30, 2007.

### Note 4 - Property and Equipment:

Property and equipment consist of the following:

	2007	2006
Land and improvements	\$ 2,104,375	\$ 2,104,375
Buildings and improvements	58,383,818	58,031,104
Furniture and equipment	4,815,448	4,490,009
Automobiles	39,048	39,048
<hr/>		
Total	65,342,689	64,664,536
Less accumulated depreciation	(8,569,512)	(6,161,718)
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	\$ 56,773,177	\$ 58,502,818

Depreciation expense amounted to \$2,410,670 in 2007 and \$2,321,518 in 2006, respectively.

In June 2007, the Center acquired certain restaurant equipment in the amount of \$125,723 and assumed certain capital leases of restaurant equipment in the amount of \$142,680, under an asset purchase agreement. The assets were purchased from the previous tenant in the center's restaurant space. The Center intends to sell these related assets to the next tenant to operate the restaurant space within the next fiscal year.

### Note 5 - Bonds Payable:

On January 17, 2007, the Center issued \$60,420,000 in Variable Rate Demand Bonds (Series 2007 Bonds) through the California Infrastructure and Economic Development Bank for the purpose of refunding \$63,105,000 of the Center's outstanding ABAG 2002 bond issue to replace the letter of credit enhancement with a combination of bond insurance and a liquidity facility. The proceeds of the Series 2007 Bonds issue were used to pay off the 2002 bonds in their entirety as well as the cost of issuance and the premiums on bond insurance related to the 2007 bonds.

# Jewish Community Center of San Francisco

## Notes to Financial Statements

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Interest on the bonds is determined daily and paid monthly by the Center. The bonds are scheduled to be redeemed by the Center in annual incremental amounts as follows:

2008	1,400,000
2009	1,590,000
2010	1,650,000
2011	1,705,000
2012	1,770,000
Thereafter	52,305,000
	<hr/>
	\$60,420,000

The bond insurer requires compliance with various debt covenants and financial ratios. As of June 30, 2007, the Center is in compliance with the required financial covenants.

### Interest Rate Swap

As discussed above, the Center issued variable rate bonds during the fiscal year. This debt obligation is exposed to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense decreases.

The Center believes that it is prudent to limit the variability of its interest payments. To meet this objective, the Center has entered into a separate financial instrument to manage fluctuations in cash flows resulting from interest rate risks. On January 17, 2007 the Center fixed the interest rate on a portion of the bonds at a fixed rate of 3.435% by entering into a financial instrument with J.P. Morgan Chase, for the notional amount of \$30,185,000.

Under this separate agreement with J.P. Morgan Chase, the Center swapped its variable-rate cash flow exposure on the bonds for a fixed rate, which is in place through 2031. Since the fixed-rate is guaranteed for the life of the bond, there is a termination fee/income calculation, representing the change in the fair market value of the interest rate swaps, if the Center terminates the agreement prior to the fixed terms of the swap. On October 4, 2007, the Center entered into a new agreement to fix to a notional amount of \$30,185,000 of the bonds with a rate of 2.884% and a termination date of December 1, 2012, except that J.P. Morgan Chase has an early termination option on October 1, 2009.

As of June 30, 2007, interest rates have changed since the inception of the swap. If the Center terminated the swap agreement with J.P. Morgan Chase as of June 30, 2007, the Center would have actualized a gain of \$731,481 as the interest income the Bank would earn is calculated over the term of the agreement. At the present time, the Center has no intention of terminating this agreement with J.P. Morgan Chase. Changes in the fair market value of the interest rate swap are reported as such on the Statement of Activities and Change in Net Assets. As of June 30, 2007, the valuation of the interest rate swap resulted in a net unrealized gain (which has no effect on the cash position of the Center) in the amount of \$731,481, due to the changes in interest rates as discussed above. The asset related to this unrealized gain is included in the Statement of Financial Position as of June 30, 2007.

# Jewish Community Center of San Francisco

## Notes to Financial Statements

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The Center does not enter into derivative instruments for any purpose other than the interest payments as discussed above; that is, the Center does not speculate for investment purposes using derivative instruments.

### Note 6 - Temporarily Restricted Net Assets:

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

	2007	2006
Restricted to future periods	\$ 4,742,017	\$ 5,621,200
Restricted by purpose	829,860	29,840
Allocations from the Jewish Community Federation	874,600	874,600
	<hr/>	<hr/>
	\$ 6,446,477	\$ 6,525,640

### Note 7 - Permanently Restricted Net Assets:

	2007	2006
David B. Gold Foundation Endowment Fund	\$ 1,900,000	\$ 1,900,000
Hearst Endowment	100,000	100,000
Other Endowments	30,000	0
	<hr/>	<hr/>
	\$ 2,030,000	\$ 2,000,000

### Note 8 - Retirement Plan:

The Center participates in the Jewish Community Federation's (the Federation) multi-employer pension plan. The plan provides defined benefits to all eligible employees. The plan cost to the Center for the years ended June 30, 2007 and 2006 was \$473,220 and \$305,981, respectively.

The Federation's plan will be frozen effective December 31, 2007. The frozen plan will most likely have an unfunded liability at the time it is frozen which will continue to be funded by the participating employers until the plan is fully funded at which time it will be terminated.

# Jewish Community Center of San Francisco

## Notes to Financial Statements

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The Center will establish a 403(b) retirement plan for employees that will take effect January 1, 2008. This plan will include an employer contribution as well as an employee match opportunity.

### Note 9 - Lease and Other Commitments:

#### *Capital lease obligations*

Future minimum lease payments at June 30, 2007 related to equipment acquired under capital lease obligations is summarized as follows:

Year ending June 30,	
2008	\$ 94,566
2009	82,623
2010	4,818
<hr/>	
Total future minimum lease payments	182,007
Less: amount representing interest	(39,327)
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Present value of minimum lease payments	142,680
Less: current portion	(71,704)
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	\$ 70,976

As discussed in Note 4, certain equipment serves as collateral for the capital lease obligations.

#### *Operating leases*

The Center leases real property and office equipment under lease arrangements classified as operating leases. Total minimum future operating lease commitments consists of the following:

<u>Year ended June 30,</u>	
2008	\$ 164,000
2009	130,000
2010	111,000
2011	95,000
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	\$ 500,000

Expenses related to these leases for the year ended June 30, 2007 amounted to \$158,000.

# Jewish Community Center of San Francisco

## Notes to Financial Statements

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### *Club One Agreement*

The Center contracts out the management of its fitness center to Club One, Inc. This contract has a five year term and can be terminated by either party by giving ninety days notice.

### **Note 10 - Concentrations of Credit Risk:**

The Center has identified its financial instruments that are potentially subject to credit risk. These financial instruments consist principally of cash, investments, receivables and pledges receivable.

The Center invests its excess cash in cash deposits with various financial institutions. Investments are diversified in order to limit the market risk.

Receivables, including pledges are unsecured and concentrated in the San Francisco Bay Area; however, concentrations of credit risk with respect to these receivables are limited due to the large number of members and donors.

### **Note 11 - Supporting Foundation and Weinberg Endowment:**

Two endowment funds were established for the benefit of the Center. These funds are not included as assets of the Center in the statement of financial position.

The Jewish Community Center of San Francisco Endowment Fund ("Supporting Foundation") provides for the Center's ongoing and special programs. The net assets of the Supporting Foundation as of June 30, 2007 and 2006 are approximately \$7,450,000 and \$6,800,000, respectively. The Center receives quarterly distributions equal to one and one-half percent (1-1/2%) of the value of the assets of the Supporting Foundation.

The Harry and Jeanette Weinberg of Baltimore, Maryland Endowment ("Weinberg Endowment") provides a distribution to the Center of 5% of the average net assets. The net assets of the Weinberg Endowment as of June 30, 2007 and 2006 are approximately \$2,098,000 and \$2,056,000, respectively. Distributions are to provide programs for financially disadvantaged individuals.