

**LAWRENCE FAMILY JEWISH
COMMUNITY CENTERS OF SAN
DIEGO COUNTY**

**CONSOLIDATED FINANCIAL
STATEMENTS**

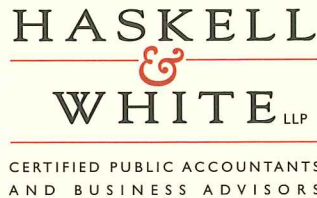
**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014**

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lawrence Family Jewish Community Centers of San Diego County
La Jolla, California

We have audited the accompanying consolidated financial statements of Lawrence Family Jewish Community Centers of San Diego County ("LFJCC") and the Center for Jewish Culture ("CJC"), (Collectively the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2015 and 2014, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated financial statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2015 and 2014, and the changes in its consolidated net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 24 and 25 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 8, 2015. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



HASKELL & WHITE LLP

October 19, 2015
San Diego, California

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Consolidated Statements of Financial Position
As of June 30, 2015 and 2014**

	ASSETS	
	2015	2014
Current assets:		
Cash and cash equivalents	\$ 4,269,038	\$ 3,712,074
Investments	204,660	193,128
Accounts receivable, net	257,704	229,011
Contributions receivable, net	457,704	401,454
Prepaid expenses	635,633	468,447
Total current assets	5,824,739	5,004,114
Noncurrent Assets:		
Contributions receivable, net	118,000	318,000
Investments	5,371,145	4,828,627
Property and equipment, net	7,852,938	8,826,818
Total noncurrent assets	13,342,083	13,973,445
Total assets	\$ 19,166,822	\$ 18,977,559
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 458,869	\$ 359,537
Accrued payroll liabilities	872,025	686,163
Deferred revenue	2,450,993	2,433,532
Current portion of notes payable	8,333	50,000
Total current liabilities	3,790,220	3,529,232
Noncurrent Liabilities:		
Notes payable, net of current portion	-	8,824
Total liabilities	3,790,220	3,538,056
Commitments (Note 9)		
Net Assets:		
Unrestricted:		
Undesignated	7,879,370	9,175,472
Board-designated endowment funds	2,008,367	1,785,621
Board-deisgnated recovery of diverted assets	887,296	-
Total unrestricted	10,775,033	10,961,093
Temporarily restricted	1,512,110	1,938,951
Permanently restricted	3,089,459	2,539,459
Total net assets	15,376,602	15,439,503
Total liabilities and net assets	\$ 19,166,822	\$ 18,977,559

The accompanying notes are integral part of the consolidated financial statements.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Consolidated Statements of Activities
For the Year Ended June 30, 2015
(With Comparative Totals For The Year Ended June 30, 2014)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Revenue and Support:					
Program fees	\$ 6,746,909	\$ -	\$ -	\$ 6,746,909	\$ 6,313,284
Contributions and grants	2,346,598	295,087	525,000	3,166,685	3,055,358
Membership fees	1,202,389	-	-	1,202,389	1,166,606
Rental income	497,461	-	-	497,461	473,125
Investment income	3,649	8,994	-	12,643	581,368
Special event	225,671	-	-	225,671	253,075
Miscellaneous income	445,450	-	-	445,450	146,730
Net assets reclassified	(25,000)	-	25,000	-	-
Net assets released from restriction	730,922	(730,922)	-	-	-
Total revenue and support	12,174,049	(426,841)	550,000	12,297,208	11,989,546
Expenses:					
Program Services:					
LFJCC programs	5,655,910	-	-	5,655,910	5,273,486
Center for Jewish Culture	1,900,579	-	-	1,900,579	2,090,941
Facilities	2,967,292	-	-	2,967,292	2,377,305
Total program services	10,523,781	-	-	10,523,781	9,741,732
Supporting Services:					
General and administrative	2,183,771	-	-	2,183,771	2,298,503
Fundraising	476,867	-	-	476,867	550,486
Total supporting services	2,660,638	-	-	2,660,638	2,848,989
Total program and supporting services	13,184,419	-	-	13,184,419	12,590,721
Diversion of assets	-	-	-	-	233,523
Special events	62,986	-	-	62,986	74,528
Total expenses	13,247,405	-	-	13,247,405	12,898,772
Other income:					
Recovery of diverted assets	887,296	-	-	887,296	-
Change in net assets	(186,060)	(426,841)	550,000	(62,901)	(909,226)
Net assets at beginning of year	\$ 10,961,093	\$ 1,938,951	\$ 2,539,459	\$ 15,439,503	\$ 16,348,729
Net assets at end of year	\$ 10,775,033	\$ 1,512,110	\$ 3,089,459	\$ 15,376,602	\$ 15,439,503

The accompanying notes are integral part of the consolidated financial statements.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Consolidated Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014**

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (62,901)	\$ (909,226)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,096,812	867,053
Bad debt write-offs	27,586	297,860
Net realized and unrealized (gains)/losses on investments	116,586	(524,171)
Permanently restricted contributions	525,000	-
Increase (decrease) in cash from changes in:		
Accounts receivable	(56,279)	(440,155)
Contributions receivable	143,750	1,001,005
Prepaid expenses	(167,186)	(96,266)
Accounts payable and accrued expenses	99,332	201,891
Accrued payroll liabilities	185,862	170,665
Deferred revenue	17,461	96,047
Net cash provided by operating activities	1,926,023	664,703
Cash flows from investing activities:		
Investment purchases (sales)	(1,324,865)	115,136
Interest and dividends received	128,738	(63,712)
Purchases of property and equipment	(122,932)	(54,298)
Net cash used in investing activities	(1,319,059)	(2,874)
Cash flows from financing activities:		
Payments on note payable	(50,000)	(69,444)
Net cash (used in) provided by financing activities	(50,000)	(69,444)
Net increase in cash and cash equivalents	556,964	592,385
Cash and cash equivalents at beginning of year	3,712,074	3,119,689
Cash and cash equivalents at end of year	\$ 4,269,038	\$ 3,712,074
Supplemental disclosures of noncash investing and financing activities:		
Cash paid for interest	\$ 1,078	\$ 2,924

The accompanying notes are integral part of the consolidated financial statements.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements
June 30, 2015 and 2014**

1. Organization and Significant Accounting Policies

Organization

The consolidated financial statements of the Organization include the following entities:

Lawrence Family Jewish Community Centers of San Diego County

Lawrence Family Jewish Community Centers of San Diego County ("LFJCC") is a California 501(c)(3) Not-For-Profit organization that was incorporated in November 1945. The mission of LFJCC is to connect the community to Jewish heritage, identity, experiences and values to ensure the continuity and vibrancy of the Jewish community. This mission is accomplished by promoting the physical and mental well-being of the community and offering a rich array of stimulating and innovative social, cultural, educational, and recreational programs and services. LFJCC is committed to providing a welcoming and inclusive environment for San Diego's diverse Jewish community and the greater general community.

San Diego Center for Jewish Culture

San Diego Center for Jewish Culture ("CJC") is a California 501(c)(3) Not-For-Profit organization that was incorporated in January 1999. CJC is housed at LFJCC. CJC provides a wide array of multi-disciplined offerings, and is the largest local institution solely dedicated to exploring the Jewish experience through the arts. CJC's mission is to expand and enrich cultural life in San Diego by presenting the finest in Jewish artistic expressions, encouraging the preservation of Jewish culture and heritage and nurturing new creativity in the arts.

Programs

LFJCC operates the following programs:

Qualcomm Sports, Fitness & Aquatics Complex

The facility consists of the following activity centers:

- Jacobs Fitness Center is a 3,000 square foot facility with state-of-the-art CYBEX and Paramount strength and Precor and Star Trac cardiovascular equipment. In addition, The Jacobs Fitness Center includes certified personal trainers, massage therapy, fitness classes, pilates training, babysitting and aerobic and dance studios.
- Albert A. Huntler Tennis Center consists of four lighted, hard surface courts. In addition, there is an on-staff teaching pro, adult and junior group clinics, individual lessons, tournaments and socials and summer camps.
- Friedenberg Olympic Pool is an outdoor heated pool. In addition, there is a Jacuzzi, wading pool for children, masters swim program and youth swim team.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

1. Organization and Significant Accounting Policies (continued)

Programs (continued)

Qualcomm Sports, Fitness & Aquatics Complex (continued)

- Jacobs Family Gymnasium consists of an NBA regulation basketball court.
- Mandell Weiss Eastgate Park is a lighted multi-purpose field with an outdoor amphitheater and a picnic and barbecue area. The field is used for men's and coed softball leagues, soccer and flag-football leagues.

Early Childhood Education

Lawrence Family Jewish Community Center Early Childhood Education program is designed to develop the social, emotional, physical, and intellectual well-being of each child through a developmental milestone curriculum. The focus is on creating a safe and nurturing environment which offers opportunities for exploration and discovery. The program has been structured to develop curiosity, imagination, self-esteem, caring for others, and the ability to play both cooperatively and independently. The program is committed to expanding community access to recreational and social programs for children with disabilities.

Youth Department

The Youth Department at LFJCC provides a nurturing and safe environment, a caring and professional staff, and enriching and quality programs for youth K-6. The department offers a wide variety of programs to ensure that the perfect activity is available to meet the child's interests and parent's schedule. Programs consist of:

- J-Team After School Enrichment Program
- Summer and Spring break camps
- Youth Activities
- Special Programs
- Enrichment Classes
- Sports programs

Teen Department

Lawrence Family Jewish Community Center's Teen Department hosts a variety of enriching events and leadership opportunities while bringing together teens of diverse backgrounds from all over San Diego. The programming establishes a strong Jewish community for teens and allows participants to develop into emotionally well-rounded leaders of the future.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

1. Organization and Significant Accounting Policies (continued)

Programs (continued)

Senior Adult Department

The Senior Adult Department at LFJCC promotes Jewish cultural heritage and values by providing social, educational, and recreational programs. Through these programs participants strengthen their connections to their community and keep alive history and traditions. The Senior Adult Department encourages participants to learn, grow and enrich their lives among others who share their values.

CJC operates the following programs:

Center for Jewish Culture

CJC offers a wide variety of multi-disciplinary artistic programs that explore cultural identities and perspectives, promote cross cultural understanding and highlight human themes of family, tolerance, compassion and hope. These programs, including the San Diego Jewish Film Festival, San Diego Jewish Book Fair, Performing Arts Series, Holocaust Education Program, Jewish Adult Education, Gotthelf Art Gallery and the J*Company Youth Theatre, foster ideas of cultural appreciation and respect.

Approximately 40,000 tickets are sold or provided annually to residents, visitors, and students for San Diego Center for Jewish Culture events. CJC facilities feature the 500-seat David & Dorothea Garfield Theatre, a 10,000 volume Samuel & Rebecca Astor Judaica library, the Gotthelf Art Gallery, and a community Holocaust Memorial Garden.

J*Company Youth Theatre is the leading youth theatre program in San Diego, garnering local and national attention with its award winning productions as well as providing a foundation for young artists to train and develop their creative potential, giving them the opportunity to express themselves through the dramatic arts.

Significant Accounting Policies

Consolidated Financial Statements

The consolidated financial statements include the accounts of LFJCC and CJC. All material intercompany balances and transactions have been eliminated in consolidation.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Method of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The consolidated financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets - Net assets not subject to donor imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor imposed stipulations that will be met by actions of the Organization and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets - Net assets subject to donor imposed stipulations requiring that they be maintained permanently by the Organization. The income from these assets is available for either general operations or specific programs as specified by the donor.

The Financial Accounting Standards Board (FASB) has issued reporting standards for endowments of not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

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

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Fair Value Measurements (continued)

The Organization's consolidated statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Most investments at Jewish Community Foundation are considered Level 1 assets and are reported at fair value based on the fair value of the underlying assets in the funds as reported by the fund manager, Jewish Community Foundation, since these funds are valued by the fund manager and are not traded in an active market. Others investments held by the Jewish Community Foundation are considered Level 3 assets and are also valued by the fund manager.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. The allowance for doubtful accounts was approximately \$27,000 and \$16,000 at June 30, 2015 and 2014, respectively.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions 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 reclassified to unrestricted net assets. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Uncollectible contributions receivable are recognized on the allowance method based on historical experience and management's evaluation of outstanding contributions receivable. The allowance for uncollectible contributions receivable was approximately \$10,000 and at June 30, 2015 and 2014.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, while donations of property and equipment are recorded as support at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Land improvements	15 years
Buildings and improvements	5 - 25 years
Equipment and furnishings	5 - 10 years
Computer equipment	3 - 5 years
Vehicles	5 years

Depreciation totaled \$1,096,812 and \$867,053 for the years ended June 30, 2015 and 2014, respectively.

The Organization's policy is to periodically review the estimated useful lives of its property and equipment. This review during 2015 indicated that actual lives for certain asset categories generally were generally shorter than the lives used for depreciation purposes in the Organization's financial statements. As a result the Organization revised the estimated useful lives of certain categories of property effective July 1, 2014. The effect of this change in estimate was to increase 2015 depreciation expense by approximately \$200,000 and decrease change in net assets by the same amount.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as other income or expense.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Impairment of Long Lived Assets

The Organization reviews its investment in long lived asset for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the long lived assets to the future undiscounted net cash flows expected to be generated by the assets and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the long-lived assets exceeds the fair value of such assets. There were no impairment losses recognized in 2015 and 2014.

Compensated Absences

Vested and accumulated vacation is recorded as an expense and liability as benefits accrue to employees. The accrued vacation liability totaled \$206,761 and \$162,811 at June 30, 2015 and 2014, respectively, and is included in accrued payroll liabilities.

Revenue and Expense Recognition

Revenue from memberships is recognized on a pro-rata basis over the period the memberships are valid. Deferred revenue totaled \$484,398 and \$491,795 at June 30, 2015 and 2014, respectively.

Program fees and expenses are recognized in the period services are provided and consist of advance payments and cost for classes, Maccabi games, preschool and camp fees. Deferred revenue totaled \$1,966,595 and \$1,941,737 at June 30, 2015 and 2014, respectively.

Prepaid program expenses totaled \$572,914 and \$446,392 at June 30, 2015 and 2014, respectively, and are included in prepaid expenses.

Donated Services

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the consolidated financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2015 and 2014 did not meet the requirements above, therefore no amounts were recognized in the consolidated financial statements.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Allocated Expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized and estimates made by the Organization's management.

Income Taxes

LFJCC and CJC are public charities and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. LFJCC and CJC believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements. LFJCC and CJC are not private foundations.

LFJCC and CJC's tax returns for the years ended June 30, 2015, 2014, 2013 and 2012 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

1. Organization and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents regardless of the maturity.

The following is a composition of the combined amounts appearing in the consolidated statements of cash flows at June 30:

	2015	2014
Cash and money market funds	\$ 4,015,929	\$ 3,458,965
Certificates of deposit	253,109	253,109
Total cash and cash equivalents	\$ 4,269,038	\$ 3,712,074

2. Contributions Receivable

Contributions receivable consist of the following at June 30:

	2015	2014
Receivables due in less than one year	\$ 467,754	\$ 411,504
Less: Allowance for uncollectible	(10,050)	(10,050)
Receivables due in less than one year, net	457,704	401,454
Receivables due in one to five years	118,000	318,000
Contributions Receivable, Net	\$ 575,704	\$ 719,454

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

2. Contributions Receivable (continued)

Contributions receivable consist of the following categories as of June 30:

	2015	2014
Multi-year program contributions	\$ 210,000	\$ 457,800
Pillars contributions	160,500	12,758
Retirement campaign	144,000	177,300
Capital campaign	1,000	10,000
Program contributions	44,954	35,916
Maccabi campaign	15,250	25,680
	\$ 575,704	\$ 719,454

3. Investments

The following table summarizes assets measured at fair value by classification within the fair value hierarchy as of June 30:

	2015			
	Quoted in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2015
Investments at Jewish Community Foundation	\$ 4,981,509	\$ -	\$ 594,296	\$ 5,575,805
	\$ 4,981,509	\$ -	\$ 594,296	\$ 5,575,805
	2014			
	Quoted in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2014
Investments at Jewish Community Foundation	\$ 4,439,734	\$ -	\$ 582,021	\$ 5,021,755
	\$ 4,439,734	\$ -	\$ 582,021	\$ 5,021,755

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

3. Investments (continued)

LFJCC maintains its investments at Jewish Community Foundation. These funds are classified as permanently restricted if the investments must be maintained in perpetuity. The funds held at Jewish Community Foundation are invested in investment pools or are held as cash until invested in an investment pool. The Short Term Pool is a cash equivalent pool that seeks principal preservation by investing in certificates of deposit, securities issued or guaranteed by the U.S. government and other cash equivalents. The Long Term Pool invests 55% in domestic and international equities, 38% in fixed income and 7% in real assets consisting of REITS and/or commodities. The Endowment Pool invests 0.6% in cash and cash equivalents, 49.6% in domestic and international equities, 10.2% in fixed income, 10.2% in real assets consisting of REITS and/or commodities, and 29.4% in alternative investments consisting of commodities and hedge funds of funds.

Investments consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Investments - current		
Short-term pool	\$ 204,660	\$ 193,128
Investments - noncurrent		
Long-term pool	3,619,674	3,287,813
Endowment pool	1,751,471	1,540,814
Total-long term pool	<u>5,371,145</u>	<u>4,828,627</u>
Total investments	<u>\$ 5,575,805</u>	<u>\$ 5,021,755</u>

LFJCC's endowment consists of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

LFJCC has interpreted the enacted version of the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, LFJCC classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment (2) the original value of subsequent gifts donated to the permanent endowment (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by LFJCC in a manner consistent with the standard of prudence prescribed by UPMIFA.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

3. Investments (continued)

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

1. The duration and preservation of the fund
2. The purposes of LFJCC and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of LFJCC
7. The investment policies of LFJCC

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires LFJCC to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2015 and 2014.

LFJCC has adopted investment and spending policies for endowment funds that:

1. Protect the invested assets
2. Preserve spending capacity of the fund income
3. Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a minimal level
4. Comply with applicable laws

LFJCC endowment funds are invested at Jewish Community Foundation in a portfolio of equity and debt securities, which is structured for long-term total return.

LFJCC's spending policy is to disburse funds available in accordance with donor restrictions to meet the current program needs of LFJCC and is based on a three year average of the investment balances at a 4% payout rate.

Endowment composition by type of fund as of June 30:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ 477,979	\$ 3,089,459	\$ 3,567,438
Board-Designated Endowment Funds:				
Other Funds	85,527	-	-	85,527
Shulman Funds	1,922,840	-	-	1,922,840
Total endowment funds	\$ 2,008,367	\$ 477,979	\$ 3,089,459	\$ 5,575,805

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

3. Investments (continued)

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ 696,675	\$ 2,539,459	\$ 3,236,134
Board-Designated Endowment Funds:				
Other funds	216,441	-	-	216,441
Shulman Funds	1,569,180	-	-	1,569,180
Total endowment funds	<u>\$ 1,785,621</u>	<u>\$ 696,675</u>	<u>\$ 2,539,459</u>	<u>\$ 5,021,755</u>

Changes in endowment net assets for the years ended June 30, 2014 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at June 30, 2013	\$ 1,629,250	\$ 380,299	\$ 2,539,459	\$ 4,549,008
Contributions				
Investment return:				
Interest and dividends	30,128	45,542	-	75,670
Net realized and unrealized gains/(losses)	176,263	347,908	-	524,171
Investment expenses	(5,897)	(12,576)	-	(18,473)
Total Investment Return	<u>200,494</u>	<u>380,874</u>	<u>-</u>	<u>581,368</u>
Appropriation of endowment assets for expenditure	<u>(44,123)</u>	<u>(64,498)</u>	<u>-</u>	<u>(108,621)</u>
Endowment Net Assets at June 30, 2014	1,785,621	696,675	2,539,459	5,021,755
Contributions	353,660		550,000	903,660
Investment return:				
Interest and dividends	46,720	102,257	-	148,977
Net realized and unrealized gains/(losses)	(37,056)	(79,530)	-	(116,586)
Investment expenses	(6,015)	(13,733)	-	(19,748)
Total Investment Return	<u>3,649</u>	<u>8,994</u>	<u>-</u>	<u>12,643</u>
Appropriation of endowment assets for expenditure	<u>(134,563)</u>	<u>(227,690)</u>	<u>-</u>	<u>(362,253)</u>
Endowment Net Assets at June 30, 2015	<u>\$ 2,008,367</u>	<u>\$ 477,979</u>	<u>\$ 3,089,459</u>	<u>\$ 5,575,805</u>

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

4. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Land improvements	\$ 511,423	\$ 511,423
Buildings and improvements	18,488,331	18,483,286
Equipment and furnishings	918,502	811,755
Computer equipment	190,145	179,005
Vehicles	<u>169,632</u>	<u>169,632</u>
Subtotal	20,278,033	20,155,101
Less: accumulated depreciation	<u>(12,425,095)</u>	<u>(11,328,283)</u>
Property and equipment, net	<u><u>\$ 7,852,938</u></u>	<u><u>\$ 8,826,818</u></u>

5. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2015</u>	<u>2014</u>
Grants and contributions with time and purpose restrictions	\$ 551,436	\$ 925,212
Unappropriated endowment earnings	527,779	539,579
Retirement campaign contributions receivable and cash	340,701	377,034
Capital campaign contributions receivable	10,000	10,001
Maccabi campaign contributions receivable and cash	<u>82,194</u>	<u>87,125</u>
Total temporarily restricted net assets	<u><u>\$ 1,512,110</u></u>	<u><u>\$ 1,938,951</u></u>

Net assets in the amount of \$730,992 and \$1,303,525 were released from donor restrictions by incurring expenses and events satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2015 and 2014, respectively.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

6. Commitments

Retirement Plan

The Organization has established a 403(b) retirement plan (the “Plan”) covering all employees. The Plan allows for employee contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code if they wish beginning on their hire date. The Organization makes a matching contribution equal to the lesser of 50% of employee contributions or 3% of compensation received during the plan year (December 31) for employees after one year of service. The Organization also makes a base contribution to the Plan on an annual basis based on the plan year (December 31). The base contribution ranges from \$750 to \$1,500 per eligible employee based on the number of years of service. Employees are eligible to participate in the Organization’s contribution if they have completed one year and 1,000 hours of service. LFJCC contributed \$199,001 and \$193,100 to plan for the years ended June 30, 2015 and 2014, respectively.

Lease Agreement

The land on which the LFJCC is located is owned by the City of San Diego. On July 27, 1981, LFJCC entered into a land lease agreement with the City of San Diego. The premises are leased only for the purposes of construction, operation and maintenance of the premises and buildings as a community center for park, recreation, cultural and educational activities for the benefit of the Jewish Community Center members and the residents of the City of San Diego, without discrimination, as to race, color, creed, sexual orientation, or religion and for such other related or incidental purposes as may first be approved in writing by the City of San Diego and for no other purposes. The term of the agreement is fifty (50) years commencing on January 1, 1998. The total rent is \$1 for the term of the lease. In-kind rent has not been recorded as there is no reasonable basis to determine the value of the leased land.

Operating Agreement

On July 1, 1999, CJC entered into an agreement with LFJCC to administer the cultural arts programs and complex for the CJC. The initial term of the agreement was for ten (10) years with an automatic extension of ten (10) years and for consecutive ten (10) year terms unless either party notifies the other in writing to the contrary at least one (1) year prior to the end of the term then in effect. In accordance with the agreement, LFJCC performs all necessary advisory, management and administrative services described in the agreement. LFJCC is entitled to retain any positive results from operations and is responsible for any negative results from operations.

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Notes to Consolidated Financial Statements (continued)
June 30, 2015 and 2014**

7. Recovery of Diverted Assets

The Organization discovered an embezzlement in April of 2014. LJFCC conducted a forensic investigation of the LJFCC and its subsidiary, through independent forensic auditors. The criminal investigation into the perpetrators has been completed. During the year ended June 30, 2015, LFJCC recovered \$887,296, net of the cost of recovery. Additionally, approximately \$202,000 was recovered subsequent to June 30, 2015.

8. Subsequent Events

The Organization has evaluated subsequent events through October 19, 2015, which is the date the consolidated financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

SUPPLEMENTAL INFORMATION

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Supplementary Consolidating Schedule of Activities
For the Year Ended June 30, 2015**

	<u>LFJCC</u>	<u>CJC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Unrestricted net assets:				
Revenue and Support:				
Program fees	\$ 6,073,747	\$ 673,162	\$ -	\$ 6,746,909
Contributions and grants	1,010,757	1,335,841	-	2,346,598
Membership fees	1,202,389	-	-	1,202,389
Rental income	301,261	196,200	-	497,461
Investment income	3,649	-	-	3,649
Special event	225,671	-	-	225,671
Miscellaneous income	403,955	41,495	-	445,450
Recovery of diverted assets	887,296	-	-	887,296
Net assets reclassified	(25,000)	-	-	(25,000)
Net assets released from restriction, net	730,922	-	-	730,922
Total revenue and support	<u>10,814,647</u>	<u>2,246,698</u>	<u>-</u>	<u>13,061,345</u>
Expenses:				
Program services	<u>8,623,202</u>	<u>1,900,579</u>	<u>-</u>	<u>10,523,781</u>
Supporting services:				
General and administrative	1,920,052	263,719	-	2,183,771
Fundraising	<u>394,467</u>	<u>82,400</u>	<u>-</u>	<u>476,867</u>
Total supporting services	<u>2,314,519</u>	<u>346,119</u>	<u>-</u>	<u>2,660,638</u>
Total program and supporting services	10,937,721	2,246,698	-	13,184,419
Special events	<u>62,986</u>	<u>-</u>	<u>-</u>	<u>62,986</u>
Total expenses	<u>11,000,707</u>	<u>2,246,698</u>	<u>-</u>	<u>13,247,405</u>
Change in unrestricted net assets	<u>(186,060)</u>	<u>-</u>	<u>-</u>	<u>(186,060)</u>
Temporarily restricted net assets:				
Contributions and grants	295,087	-	-	295,087
Investment income	8,994	-	-	8,994
Net assets released from restriction	<u>(730,922)</u>	<u>-</u>	<u>-</u>	<u>(730,922)</u>
Change in temporarily restricted net assets	<u>(426,841)</u>	<u>-</u>	<u>-</u>	<u>(426,841)</u>
Permanently restricted net assets:				
Contributions and grants	525,000	-	-	525,000
Net assets reclassified	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Change in permanently restricted net assets	<u>550,000</u>	<u>-</u>	<u>-</u>	<u>550,000</u>
Change in net assets	(62,901)	-	-	(62,901)
Net assets at beginning of year	<u>15,439,503</u>	<u>-</u>	<u>-</u>	<u>15,439,503</u>
Net assets at end of year	<u>\$ 15,376,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,376,602</u>

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Supplementary Schedule of Functional Expenses – LFJCC
For The Year Ended June 30, 2015
(With Comparative Totals For The Year Ended June 30, 2014)**

	Program Services		Supporting Services				Special Events	2015 Total Expenses	2014 Total Expenses
	LFJCC Program Services	Facilities	Total Program Services	General and Administrative	Fundraising	Total Supporting Services			
Salaries	\$3,645,550	\$ 354,118	\$ 3,999,668	\$ 1,161,434	\$ 256,302	\$ 1,417,736	\$ -	\$ 5,417,404	\$ 4,887,967
Payroll taxes and employee benefits	579,643	79,948	659,591	268,126	37,139	305,265	-	964,856	976,208
Depreciation	-	1,096,812	1,096,812	-	-	-	-	1,096,812	867,053
Maintenance service	28,804	568,042	596,846	38,504	-	38,504	-	635,350	474,271
Utilities	-	471,383	471,383	-	-	-	-	471,383	417,790
Contract labor	303,005	73,992	376,997	29,995	500	30,495	23,203	430,695	356,917
Program supplies	254,487	10,051	264,538	31,711	14,869	46,580	3,057	314,175	351,060
Admissions	205,158	-	205,158	-	44,540	44,540	-	249,698	234,686
Administration	124,583	23,924	148,507	175,211	106	175,317	-	323,824	323,564
Food and beverage	118,410	17,343	135,753	26,421	473	26,894	29,607	192,254	191,757
Maintenance supplies	79,241	85,952	165,193	42	-	42	-	165,235	172,007
Transportation and travel	110,163	4,666	114,829	4,835	44	4,879	-	119,708	119,583
Printing and publications	56,582	9,499	66,081	38,740	3,111	41,851	5,273	113,205	117,408
Insurance	7,087	117,850	124,937	1,360	-	1,360	-	126,297	104,789
Dues	7,028	281	7,309	111,891	355	112,246	-	119,555	93,392
Telephone	5,993	9,894	15,887	22,934	1,703	24,637	-	40,524	51,044
Postage	20,024	13,732	33,756	6,815	1,754	8,569	1,731	44,056	42,547
Office supplies	12,935	4,089	17,024	23,989	1,526	25,515	115	42,654	47,108
Repairs, maintenance and replacements	75,930	24,039	99,969	697	872	1,569	-	101,538	140,408
Rent expense	463	1,595	2,058	6,060	-	6,060	-	8,118	(42,871)
Interest expense	-	-	-	1,078	-	1,078	-	1,078	2,924
Conference	334	-	334	630	-	630	-	964	3,340
Staff training	8,460	82	8,542	2,404	20	2,424	-	10,966	8,782
Bad debt	-	-	-	(3,567)	31,153	27,586	-	27,586	297,860
Diversion of assets	-	-	-	-	-	-	-	-	233,523
Overhead	12,030	-	12,030	(29,258)	-	(29,258)	-	(17,228)	(17,408)
Total expenses	\$5,655,910	\$ 2,967,292	\$ 8,623,202	\$ 1,920,052	\$ 394,467	\$ 2,314,519	\$ 62,986	\$ 11,000,707	\$10,455,709

**LAWRENCE FAMILY JEWISH COMMUNITY
CENTERS OF SAN DIEGO COUNTY**

**Supplementary Schedule of Functional Expenses – CJC
For The Year Ended June 30, 2015
(With Comparative Totals For The Year Ended June 30, 2014)**

	<u>Program Services</u>	<u>Supporting Services</u>			2015	2014
	Center for Jewish Culture	General and Administrative	Fundraising	Total Supporting	Total Expenses	Total Expenses
Salaries	\$ 932,526	\$ 169,203	\$ 73,200	\$ 242,403	\$ 1,174,929	\$ 1,155,754
Payroll taxes and employee benefits	127,636	30,456	9,200	39,656	167,292	186,429
Program supplies	191,256	3,873	-	3,873	195,129	217,322
Contract labor	117,154	17,518	-	17,518	134,672	194,974
Printing and publicity	91,971	4,274	-	4,274	96,245	77,203
Admissions	62,847	-	-	-	62,847	73,289
Rent expense	66,660	-	-	-	66,660	143,725
Transportation and travel	54,949	91	-	91	55,040	54,629
Food and beverage	53,595	3,104	-	3,104	56,699	54,716
Administration	98,111	12,572	-	12,572	110,683	39,341
Maintenance service	19,831	-	-	-	19,831	111,769
Postage	35,355	-	-	-	35,355	33,649
Maintenance supplies	10,110	-	-	-	10,110	6,305
Overhead	7,408	10,000	-	10,000	17,408	17,408
Utilities	7,440	5,000	-	5,000	12,440	11,640
Office supplies	8,091	2,898	-	2,898	10,989	7,587
Insurance	4,480	2,500	-	2,500	6,980	30,782
Repairs, maintenance and replacements	633	-	-	-	633	12,066
Telephone	1,250	742	-	742	1,992	2,679
Dues	1,330	833	-	833	2,163	1,769
Conference	7,946	655	-	655	8,601	8,382
Staff training	-	-	-	-	-	1,645
	<u>1,900,579</u>	<u>263,719</u>	<u>82,400</u>	<u>346,119</u>	<u>2,246,698</u>	<u>2,443,063</u>
Total expenses	<u>\$ 1,900,579</u>	<u>\$ 263,719</u>	<u>\$ 82,400</u>	<u>\$ 346,119</u>	<u>\$ 2,246,698</u>	<u>\$ 2,443,063</u>