

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010



**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

TABLE OF CONTENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 15



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Jewish Community Center of the Greater Palm Beaches, Inc.

We have audited the accompanying statements of financial position of the Jewish Community Center of the Greater Palm Beaches, Inc. (the "Center") as of June 30, 2011 and 2010 and the related statements of activities, cash flows and functional expenses for the years 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 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 2, the Center has relied upon the support of the Jewish Federation of Palm Beach County, Inc. (the "Federation"). The Center's operations are dependent on the Federation's ongoing financial support and commitment.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Morrison, Brown, Argiz & Farra

Ft Lauderdale, Florida
October 5, 2011

An Independent Member of Baker Tilly international

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 84,479	\$ 7,270
Restricted cash	293,548	447,885
Accounts receivable, net	299,203	304,447
Pledges receivable	100,000	200,000
Due from Jewish Federation of Palm Beach County, Inc.	1,183,511	1,399,899
Prepaid expenses and other assets	<u>276,225</u>	<u>207,625</u>
TOTAL CURRENT ASSETS	2,236,966	2,567,126
RESTRICTED CASH, NET OF CURRENT PORTION	1,964,796	1,188,820
PLEDGES RECEIVABLE, CAPITAL CAMPAIGN, NET OF DISCOUNT	8,094,370	-
CERTIFICATE OF DEPOSIT	35,006	35,006
SECURITY DEPOSITS AND OTHER	68,138	77,552
PROPERTY AND EQUIPMENT, NET	<u>548,835</u>	<u>325,030</u>
TOTAL ASSETS	<u>\$ 12,948,111</u>	<u>\$ 4,193,534</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 491,330	\$ 426,139
Deferred revenue	1,783,936	1,870,817
Due to Jewish Federation of Palm Beach County, Inc.,	151,130	127,539
Notes payable	16,778	39,377
Line of credit	-	1,500
Capital lease obligations	<u>21,448</u>	<u>16,100</u>
TOTAL CURRENT LIABILITIES	2,464,622	2,481,472
CAPITAL LEASES	24,402	10,461
DUE TO JEWISH FEDERATION OF PALM BEACH COUNTY, INC., NON CURRENT PORTION	2,849,786	2,849,786
NOTES PAYABLE, NET OF CURRENT PORTION	<u>32,527</u>	<u>115,138</u>
TOTAL LIABILITIES	<u>5,371,337</u>	<u>5,456,857</u>
NET ASSETS (DEFICIT)		
Unrestricted	(4,237,473)	(4,664,010)
Temporarily restricted	11,717,017	3,303,457
Permanently restricted	<u>97,230</u>	<u>97,230</u>
TOTAL NET ASSETS (DEFICIT)	<u>7,576,774</u>	<u>(1,263,323)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 12,948,111</u>	<u>\$ 4,193,534</u>

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

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,**

	<u>2011</u>				<u>2010</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES:								
Public support:								
Jewish Federation of Palm Beach County, Inc. allocations	\$ 124,053	\$ 1,287,859	\$ -	\$ 1,411,912	\$ 164,235	\$ 1,395,499	\$ -	\$ 1,559,734
Contributed facilities from Jewish Federation of Palm Beach County, Inc.	1,191,785	-	-	1,191,785	1,512,203	-	-	1,512,203
Capital campaign contributions	-	9,221,248	-	9,221,248	-	-	-	-
General contributions	669,709	143,968	-	813,677	693,672	221,272	-	914,944
Net assets released from restrictions	<u>2,239,515</u>	<u>(2,239,515)</u>	-	-	<u>2,172,620</u>	<u>(2,172,620)</u>	-	-
TOTAL PUBLIC SUPPORT	<u>4,225,062</u>	<u>8,413,560</u>	<u>-</u>	<u>12,638,622</u>	<u>4,542,730</u>	<u>(555,849)</u>	<u>-</u>	<u>3,986,881</u>
Revenues:								
Tuition and program fees	4,927,236	-	-	4,927,236	4,872,086	-	-	4,872,086
Membership fees	542,561	-	-	542,561	485,323	-	-	485,323
Transportation	9,240	-	-	9,240	157,009	-	-	157,009
Fundraising	365,603	-	-	365,603	192,685	-	-	192,685
Other	<u>63,217</u>	<u>-</u>	<u>-</u>	<u>63,217</u>	<u>98,218</u>	<u>-</u>	<u>-</u>	<u>98,218</u>
TOTAL REVENUES	<u>5,907,857</u>	<u>-</u>	<u>-</u>	<u>5,907,857</u>	<u>5,805,321</u>	<u>-</u>	<u>-</u>	<u>5,805,321</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>10,132,919</u>	<u>8,413,560</u>	<u>-</u>	<u>18,546,479</u>	<u>10,348,051</u>	<u>(555,849)</u>	<u>-</u>	<u>9,792,202</u>
EXPENSES								
Program services:								
Community, educational and recreational	7,798,296	-	-	7,798,296	8,753,356	-	-	8,753,356
Support services:								
General and administrative	1,462,284	-	-	1,462,284	1,904,000	-	-	1,904,000
Fundraising	<u>445,802</u>	<u>-</u>	<u>-</u>	<u>445,802</u>	<u>224,667</u>	<u>-</u>	<u>-</u>	<u>224,667</u>
TOTAL EXPENSES	<u>9,706,382</u>	<u>-</u>	<u>-</u>	<u>9,706,382</u>	<u>10,882,023</u>	<u>-</u>	<u>-</u>	<u>10,882,023</u>
CHANGE IN NET ASSETS	426,537	8,413,560	-	8,840,097	(533,972)	(555,849)	-	(1,089,821)
NET (DEFICIT) ASSETS - BEGINNING OF YEAR	<u>(4,664,010)</u>	<u>3,303,457</u>	<u>97,230</u>	<u>(1,263,323)</u>	<u>(4,130,038)</u>	<u>3,859,306</u>	<u>97,230</u>	<u>(173,502)</u>
NET (DEFICIT) ASSETS - END OF YEAR	<u>\$ (4,237,473)</u>	<u>\$ 11,717,017</u>	<u>\$ 97,230</u>	<u>\$ 7,576,774</u>	<u>\$ (4,664,010)</u>	<u>\$ 3,303,457</u>	<u>\$ 97,230</u>	<u>\$ (1,263,323)</u>

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

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

	2011	2010
CASH FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 8,840,097	\$ (1,089,821)
Adjustments to reconcile change in net assets to net cash provided by (used in) used in operating activities:		
Depreciation and amortization	165,822	257,576
Gain on disposition of fixed assets	(45,615)	(34,029)
Provision for doubtful accounts	13,502	30,290
Discount on capital campaign contributions	420,507	-
Contributions of artwork	(15,000)	-
Capital campaign contributions	(9,641,755)	-
(Increase) decrease in assets:		
Restricted cash	326,785	591,016
Accounts receivable	(8,258)	50,781
Pledges receivable	100,000	(12,281)
Due from Jewish Federation of Palm Beach County, Inc.	216,388	(91,505)
Prepaid expenses and other assets	(59,186)	95,139
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	65,191	(1,708)
Deferred revenue	(86,881)	11,213
TOTAL ADJUSTMENTS	(8,548,500)	896,492
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	291,597	(193,329)
CASH FROM INVESTING ACTIVITIES:		
Restricted cash for purchase of property and equipment	(948,424)	-
Sales of property and equipment	98,651	211,356
Purchases of property and equipment	(382,464)	(114,067)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(1,232,237)	97,289
CASH FROM FINANCING ACTIVITIES:		
Advances from Jewish Federation of Palm Beach County, Inc.	23,591	326,099
Collections from capital campaign	1,126,878	-
Advances on line of credit	-	1,500
Principal payments on notes payable and capital lease obligations	(132,620)	(288,532)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,017,849	39,067
NET DECREASE IN CASH AND CASH EQUIVALENTS	77,209	(56,973)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,270	64,243
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 84,479	\$ 7,270
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid on notes payable and capital leases	\$ 68,489	\$ 53,742
SUPPLEMENTAL DISCLOSURES OF NON CASH FINANCING AND INVESTING ACTIVITIES:		
Equipment purchased under a capital lease	\$ 45,199	\$ -
Artwork acquired through contribution	\$ 15,000	\$ -

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

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses:				
Salaries	\$ 3,465,636	\$ 713,345	\$ 318,373	\$ 4,497,354
Payroll taxes	291,234	46,434	25,871	363,539
Pension and health	<u>365,954</u>	<u>131,565</u>	<u>10,670</u>	<u>508,189</u>
Total salaries and related expenses	<u>4,122,824</u>	<u>891,344</u>	<u>354,914</u>	<u>5,369,082</u>
Operating expenses:				
Instructors' fees	602,179	-	-	602,179
General insurance	165,902	12,280	-	178,182
Contributed facilities from Jewish Federation of Palm Beach County, Inc.	1,084,524	107,261	-	1,191,785
Occupancy expense	662,552	69,572	-	732,124
Administrative costs	102,737	116,103	2,687	221,527
Telephone	26,441	10,980	-	37,421
Office and computer supplies	12,539	12,287	151	24,977
Postage	6,679	18,408	369	25,456
Copier leases	36,116	-	-	36,116
Printing and publicity	150,062	1,543	-	151,605
Equipment rental	-	26,442	-	26,442
Vehicle insurance	8,559	-	-	8,559
Vehicle maintenance	10,228	-	-	10,228
Program expense and supplies	319,123	1,773	-	320,896
Special event expense	157,354	-	-	157,354
Fundraising expense	-	-	87,217	87,217
Food	51,985	5,766	190	57,941
Staff	3,789	6,001	-	9,790
Dues and subscriptions	7,686	73,553	274	81,513
Conferences and travel	12,693	10,324	-	23,017
Credit card, bank and interest charges	101,395	72,252	-	173,647
Bad debt expense	13,502	-	-	13,502
Depreciation and amortization	<u>139,427</u>	<u>26,395</u>	<u>-</u>	<u>165,822</u>
Total operating expenses	<u>3,675,472</u>	<u>570,940</u>	<u>90,888</u>	<u>4,337,300</u>
Total expenses	<u>\$ 7,798,296</u>	<u>\$ 1,462,284</u>	<u>\$ 445,802</u>	<u>\$ 9,706,382</u>

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

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses:				
Salaries	\$ 3,626,066	\$ 1,084,801	\$ 175,706	\$ 4,886,573
Payroll taxes	284,569	61,670	12,019	358,258
Pension and health	<u>467,246</u>	<u>159,564</u>	<u>2,741</u>	<u>629,551</u>
Total salaries and related expenses	<u>4,377,881</u>	<u>1,306,035</u>	<u>190,466</u>	<u>5,874,382</u>
Operating expenses:				
Instructors' fees	699,484	-	-	699,484
General insurance	162,091	10,216	-	172,307
Contributed facilities from Jewish Federation of Palm Beach County, Inc.	1,376,105	136,098	-	1,512,203
Occupancy expense	782,347	76,496	-	858,843
Administrative costs	112,039	99,970	247	212,256
Telephone	27,726	18,956	-	46,682
Office and computer supplies	15,124	11,752	35	26,911
Postage	9,102	28,984	116	38,202
Copier leases	38,601	-	-	38,601
Printing and publicity	200,665	1,613	-	202,278
Equipment rental	-	24,318	-	24,318
Vehicle insurance	16,345	-	-	16,345
Vehicle maintenance	57,596	284	-	57,880
Program expense and supplies	428,366	465	-	428,831
Special event expense	27,220	-	-	27,220
Fundraising expense	-	-	33,803	33,803
Food	31,109	2,887	-	33,996
Staff	4,941	8,645	-	13,586
Dues and subscriptions	7,632	71,339	-	78,971
Conferences and travel	20,944	9,824	-	30,768
Credit card, bank and interest charges	127,231	39,059	-	166,290
Bad debt expense	30,290	-	-	30,290
Depreciation and amortization	<u>200,517</u>	<u>57,059</u>	<u>-</u>	<u>257,576</u>
Total operating expenses	<u>4,375,475</u>	<u>597,965</u>	<u>34,201</u>	<u>5,007,641</u>
Total expenses	<u>\$ 8,753,356</u>	<u>\$ 1,904,000</u>	<u>\$ 224,667</u>	<u>\$10,882,023</u>

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

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1. GENERAL AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Jewish Community Center of the Greater Palm Beaches, Inc. (the "Center") was incorporated in 1974 as a not-for-profit nonsectarian organization under the laws of the State of Florida offering various programs that are primarily Jewish in nature. The Center is committed to enhancing the quality of Jewish family life and promoting the physical, intellectual and spiritual wellness of the individuals. It provides health-related activities and cultural and educational programs that reflect the Jewish heritage. Although primarily a membership agency, the Center also delivers services to the community at large, including populations at risk. Through its wide array of programs, the Center pursues its mission of "Creating a strong Jewish community by providing high quality Jewish programs, close to where people live, that connects them to Jewish life." Program services provided by the Center include preschool, youth, adult and senior educational and recreational programs as well as child care for infants and toddlers.

Public support includes contributions from the Jewish Federation of Palm Beach County, Inc. (the "Federation") under a beneficiary agency program, and other general contributions. Revenues include tuition, program and membership fees generated from summer camp, preschool and use of the Center's facilities.

Contributions from the Federation including the recognition of the contributed facilities (see NOTE 4) represented approximately 28% and 31% of the total public support and revenues excluding revenue from the capital campaign for the years ended June 30, 2011 and 2010, respectively. As such, the Center is dependent on continued financial support from the Federation. The Center relies on the continued support of the Federation in order to meet its financial commitments. The reduction of support from the Federation in future years could significantly impact the Center's ability to provide program services.

Financial Statement Presentation

The financial statements of the Center have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America. The Center is required to report information regarding their financial position and activities into three classes of net assets based on the existence or absence of donor-imposed restrictions. The three classes of net asset categories are as follows:

Unrestricted – Net assets which are free of donor-imposed restrictions; all revenues, gains, and losses that are not changes in temporarily restricted or permanently restricted net assets.

Temporarily Restricted – Net assets where the use by the Center is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Center pursuant to those stipulations.

Permanently Restricted – Net assets where the use by the Center is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Center.

Cash and Cash Equivalents

The Center considers all highly liquid investments held at financial institutions with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash consists of funds limited in use by the donor.

Certificate of Deposit

The certificate of deposit is permanently restricted for the annual film festival awards. The interest income on the certificate of deposit is used for the annual film festival awards. For the years ended June 30, 2011 and 2010 the certificate of deposit yields interest of 2.47% and 4.40%, respectively and is reflected as a long term asset on the Statements of Financial Position.

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1. GENERAL AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of cash. The Center maintains its cash accounts with two financial institutions located in South Florida. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2011 and 2010, and at certain times during these years, the Center had amounts on deposits, which were in excess of the federally insured limits. The Center has not experienced any losses in such accounts.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances and consist primarily of amounts due from the individual members and program participants residing in Palm Beach County. The Center's allowance for doubtful accounts is based on management's estimates of current economic conditions and historical information, and, in the opinion of management, is believed to be an amount sufficient to respond to normal business conditions. In estimating the allowance, management analyzes the accounts receivable aging, historical bad debts and other factors. Management sets specific reserves for member and pledge receivables in which collection is in doubt and sets other reserves for the remaining members or donors based upon historical collection experience. Should business conditions deteriorate or any major donor default on its obligations to the Center, this allowance may need to be significantly increased, which would have a negative impact upon the Center's operations. The Center reviews its receivables aging on a regular basis to determine if any of the receivables are past due. The allowance for doubtful accounts was approximately \$20,000 and \$25,000 at June 30, 2011 and 2010, respectively. Write-offs are recorded against the allowance for doubtful accounts when all collection efforts have been exhausted.

Pledges Receivable and Capital Campaign

The Center reports pledges in accordance with the *Financial Accounting Standards Board* "FASB" standard which requires the Center to record unconditional promises to give as revenue when the promise is made. Pledges receivable for contributions for the years ended June 30, 2011 and 2010, totaled \$8,194,370 and \$200,000, respectively. The pledge balance as of June 30, 2010 was paid in full during the fiscal year ending June 30, 2011. The balance as of June 30, 2011 includes \$8,094,370 of capital campaign pledges which are payable to the Center over five years. The pledges receivable have been discounted to their net present value as of June 30, 2011. The Center estimates that the full amount of pledges receivable are collectible; therefore, no provision for estimated uncollectible amounts is required. Pledges receivable from six donors represented approximately 95% of the gross pledge balance for the year ended June 30, 2011. The pledge receivable from one of these four donors represented approximately 59% of the gross pledge balance for the year ended June 30, 2011.

Cash and pledges receivable (NOTE 3) pertaining to the capital campaign fund are temporarily restricted and represent commitments from various individuals to fund the construction of a new campus and center in North Palm Beach County. Those restrictions are considered to expire once the center is completed. Interest earned on the temporary investment of such support is classified as temporarily restricted. The cash and pledges have been classified as long-term on the Statements of Financial Position as it is restricted for the purchase of property and equipment.

Property and Equipment

The Center follows the practice of capitalizing expenditures greater than \$1,000 for property, plant and equipment or, if contributed, the fair market value at the time of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions are recorded as unrestricted support. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years.

The carrying value of long-lived assets is reviewed if the facts and circumstances, such as significant declines in revenues, earnings or cash flows or material adverse changes indicate that assets may have been impaired. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets is adjusted to reflect such impairment based on the fair value of the impaired assets or an estimate of fair value based on discounted cash flows.

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1. GENERAL AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Revenue Recognition

Allocations

The Center receives allocations from the Federation, under a beneficiary agency program. Allocation revenue is recognized as contributions when written documentation of the promise is made and received. For the years ended June 30, 2011 and 2010, the Center received Federation allocations of \$2,603,697 and \$3,071,937, respectively, which include \$1,191,785 and \$1,512,203, respectively, for the fair value of the free rental facilities provided by the Federation (see NOTE 4).

Tuition and Program Fees

Tuition and program fees consist primarily of summer camp and preschool fees. Tuition and program fees are recognized on a pro-rata basis when the program/session starts. For those sessions not completed as of June 30, the Center defers the revenues received and expenditures incurred until the following fiscal year (see NOTE 5).

Membership Fees

Membership fees may be collected monthly or in advance of the use of Center facilities. Revenues collected in advance are deferred and recognized on a straight-line basis as revenue over the term of the membership (see NOTE 5).

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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 Statements of Activities as "Net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Center reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed Goods, Building and Services

The Center recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. In addition, the Center receives services from a large number of volunteers who give significant amounts of their time to the Center's programs, fundraising campaigns and management which do not meet the criteria for financial statement recognition. The value of contributed services meeting the aforementioned requirements was not material and therefore not recorded in these financial statements.

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1. GENERAL AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Center is registered with the Internal Revenue Service as non-profit organizations under Internal Revenue Code Section 501(c)(3) and, accordingly, are exempt from income taxes, except for any taxes which may arise from unrelated business income.

The Center recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively. The U.S. Federal jurisdiction is the major tax jurisdictions where the Center files income tax returns. The Center is generally no longer subject to U.S. Federal examinations by tax authorities for years before 2007.

Subsequent Events

The Center has evaluated subsequent events through October 5, 2011, which is the date the financial statements were available to be issued.

Recent Accounting Pronouncements

Fair Value Measurements

In January 2010, the FASB issued an accounting standard update on fair value measurements and disclosures. The update requires more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The Center's adoption of the new disclosures and clarifications of existing disclosures that were effective for interim and annual reporting periods beginning after December 15, 2009 did not have an effect on the Center's financial statements. The disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of the Level 3 disclosures is not expected to have an effect on the Center's financial statements.

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS

In May 2011, the FASB issued an accounting standard update which works to achieve common fair value measurement and disclosure requirements in US GAAP and International Financial Reporting Standards. The update both clarifies the FASB's intent about the application of existing fair value guidance, and also changes certain principles regarding measurement and disclosure. The update is effective prospectively and is effective for annual periods beginning after December 15, 2011. Early application is permitted for interim periods beginning after December 15, 2011. The Center is currently evaluating the effect the update will have on its financial statements.

Reclassifications

Certain items in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

2. UNRESTRICTED DEFICIT AND MANAGEMENT PLANS

As of June 30, 2010, the Center's Statements of Financial Position reflected an accumulated unrestricted deficit of approximately \$4,664,000. During the year ended June 30, 2011 the Center generated an unrestricted surplus of approximately \$427,000 and reduced its unrestricted deficit to approximately \$4,237,000. The Center was able to meet its obligations during the years ended June 30, 2011 and 2010 primarily through the annual support of the Federation through an allocation, free use of its facilities owned by the Federation, with a bank Line of Credit guaranteed by the Federation and with a loan payable from the Federation.

The Center is currently not obligated to make payments on the loan payable from the Federation. The Center is currently evaluating with the Federation its ability to repay the loan. If a loan repayment is entered into and such payments prove to be detrimental to the operations of the Center, such repayment schedule will be reviewed.

The Center continues to meet its obligations due to the continued support of the Federation and the use of monies received in advance for membership and camp revenue for services to be rendered in the future. The Center receives the Federation's allocation in 12 equal monthly installments. Due to the normal operating cycle of the Center, a large amount of cash collections are received between the months of December and April of each fiscal year as they pertain to summer camp tuition and preschool tuition. As a result, the Center faces significant cash deficits between the months of June and November. In order to meet the Center's cash flow needs, the Center obtained a bank line of credit for \$510,000 in July 2010 guaranteed by the Federation.

Management is continually considering various alternatives to reduce this deficit; such considerations include renegotiating contracts, reducing operating expenses, increasing fundraising and adding services to create new revenue sources.

3. PLEDGES RECEIVABLE, CAPITAL CAMPAIGN

Capital campaign pledges, which are due within one year, are reported at their net realizable value. Pledges, which are due after one year, have been discounted using a rate of 4.5% for the year ended June 30, 2011. Payments due on pledges receivable are as follows at June 30, 2011:

Years ending June 30:		
2012	\$	3,175,000
2013		3,215,000
2014		694,877
2015		715,000
2016		<u>715,000</u>
		8,514,877
Less: discount for the effects of present value		<u>(420,507)</u>
		<u>\$ 8,094,370</u>

4. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at June 30,:

	Estimated Useful Lives	2011	2010
Vehicle-buses	5 years	\$ 117,882	\$ 266,282
Building improvements	5 years	189,042	196,741
Furniture and equipment	5 years	582,580	401,753
Computer equipment	3 years	243,092	221,826
Artwork	N / A	<u>40,000</u>	<u>25,000</u>
		1,172,596	1,111,602
Less: accumulated depreciation and amortization		<u>(752,557)</u>	<u>(786,572)</u>
		420,039	325,030
Construction in progress		<u>128,796</u>	<u>-</u>
		<u>\$ 548,835</u>	<u>\$ 325,030</u>

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

4. PROPERTY AND EQUIPMENT, NET (CONTINUED)

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 was approximately \$166,000 and \$258,000, respectively.

In February 2011, the Center signed a contract to purchase land in Palm Beach County. In July 2011, the Center placed a \$300,000 deposit with the escrow agent for the purchase of land. During the year ended June 30, 2011, the Center capitalized the fees charged by the architect and other related vendors. Such costs are reflected within "Construction in Progress." According to the land sales contract, closing will take place no later than March 18, 2012. The Center intends to begin construction in May 2012 once the necessary construction financing is obtained. The building is scheduled to be opened for programming in May 2013 for Summer Camp.

The Ross JCC and Glantz Preschool are located on a campus site in Boynton Beach. The Rosenblatt Preschool was located on a campus site in West Palm Beach shared with other affiliated organizations. Both campus sites are owned by the Federation. The Center's space is provided as a contribution from the Federation for use of the facilities.

The estimated fair rental value was determined using a rental rate of \$17 per square foot. The fair value of this rental arrangement is reflected in the Statement of Activities as "Contributed facilities from Jewish Federation of Palm Beach County, Inc." and "Occupancy expenses" on the "Statements of Functional Expenses in the amount of \$1,191,785 and \$1,512,203 for the years ending June 30, 2011 and 2010, respectively. The center rents 5400 square feet of space in Palm Beach Gardens for its JCC North location at a rate of \$9,000 per month. The center also rents a public middle school for 8 weeks during the summer for the JCC North Camp Shalom program at a rate of \$85,000.

For the year ending June 30, 2012, the Federation has committed to provide free rental facilities to the Center. The fair value of the free rental facilities for the year ending June 30, 2012 is expected to be approximately \$920,000. The reduction is as a result of the West Palm Beach Preschool being closed for the entire year. The Center has not recorded the expected fair value of the contribution for the year ending June 30, 2012.

5. DEFERRED REVENUE

The Center's deferred revenue consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Membership dues	\$ 135,540	\$ 132,716
Summer camp income, net of discounts	1,205,520	1,258,866
Program and preschool income, net of discounts	<u>442,876</u>	<u>479,235</u>
	<u>\$ 1,783,936</u>	<u>\$ 1,870,817</u>

Each summer, the Center conducts various camp programs. The Center defers the recognition of income it receives in advance for its camp programs. For instance, the financial statements for the year ended June 30, 2011 include revenue only for the 2010 summer camp program.

6. DUE TO JEWISH FEDERATION OF PALM BEACH COUNTY, INC.

At June 30, 2011 and 2010, the Center owes the Federation \$151,130 and \$127,539, respectively for various operating expenses. Advances from the Federation are non-interest bearing and due on demand. The repayment of the outstanding advance as of June 30, 2011 will be discussed at a future date with the Federation.

Additionally, as of June 30, 2011 and 2010, the Center has a loan payable to the Federation of \$2,849,786 (\$715,000 borrowed during the year ended June 30, 2008, \$1,685,000 during the year ended June 30, 2009 and \$500,000 during the year ended June 30, 2010 less credits received from the Federation.) The loan bears interest based on the one month London Interbank Offered rate plus 1.35%. As of June 30, 2011 and 2010, the interest rate on the loan was 1.54% and 1.35%, respectively. The interest on the loan is due monthly and deducted from the Federation allocation payment made to the Center. The Center is currently not obligated to make payments on the loan payable. The Center is currently evaluating with the Federation its ability to repay the loan. Interest expense under the loan payable for the years ended June 30, 2011 and 2010 was approximately, \$43,000 and \$24,000 respectively.

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are time and purpose restricted as follows at June 30,:

	<u>2011</u>	<u>2010</u>
Pledges receivable	\$ 100,000	\$ 200,000
Pledges receivable – capital campaign	8,226,587	-
Temporarily restricted cash – capital campaign	948,424	-
Allocation receivable – Jewish Federation of Palm Beach County, Inc. (see NOTE 9)	1,287,859	1,395,499
Adult programming	1,126,596	1,526,596
Playground	27,189	181,000
Miscellaneous	<u>362</u>	<u>362</u>
	<u>\$ 11,717,017</u>	<u>\$ 3,303,457</u>

8. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of endowment funds provided by various donors mainly for the purpose of the Jewish Film Festivals held each year. Permanently restricted net assets total \$97,230 at June 30, 2011 and 2010. As of June 30, 2011 and 2010, the permanently restricted net assets include restricted cash of \$62,224 and a certificate of deposit of \$35,006.

9. ALLOCATION – JEWISH FEDERATION OF PALM BEACH COUNTY, INC.

For the years ended June 30, 2011 and 2010, the Federation allocated cash contributions of \$1,287,859 and \$1,395,499, respectively. These contributions have been included as temporarily restricted net assets in the Statements of Activities under the caption "Jewish Federation of Palm Beach County, Inc. allocations" and are included in the Statements of Financial Position under the caption "Due from Jewish Federation of Palm Beach County, Inc".

10. LINE OF CREDIT

The Center entered into a line of credit with a bank on June 29, 2010 which provides for borrowings up to \$510,000 bearing interest at the lender's prime rate (which can fluctuate daily) plus 1%. The interest rate at June 30, 2011 and June 30, 2010 was 4.25%. The loan is unsecured and is fully guaranteed by the Federation. The outstanding principal plus all accrued unpaid interest is due and payable on or before the expiration date of June 29, 2012 and the interest is payable monthly. The outstanding balance as of June 30, 2011 and June 30, 2010 totaled \$0 and \$1,500, respectively.

Interest expense under the line of credit for the years ended June 30, 2011 and 2010 was approximately, \$12,500 and \$0 respectively.

11. NOTES PAYABLE

Beginning in May 2007, the Center obtained various notes payable to purchase several buses. As of June 30, 2011, only one bus remains and the outstanding note payable amounted to \$49,305. The remaining note is payable in monthly installments of \$1,732, including interest. The note bears interest at 7.39% per annum. The note is due in June 2014. Interest expense on the notes for the years ended June 30, 2011 and 2010 was \$5,609 and \$21,313, respectively.

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

11. NOTES PAYABLE (CONTINUED)

As of June 30, 2011, future maturities of the notes payable are as follows:

Years ending June 30,

2012	\$	16,778
2013		18,256
2014		<u>14,271</u>
	\$	<u>49,305</u>

12. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Center leases equipment and real property under agreements accounted for as operating leases. For the years ended June 30, 2011 and 2010, total expense under operating leases amounted to approximately \$317,000 and \$270,000, respectively.

The approximate future minimum lease payments required under these non-cancelable operating leases are as follows:

Years ending June 30,

2012	\$	248,421
2013		33,910
2014		16,644
2015		<u>15,257</u>
Total	\$	<u>314,232</u>

Capital Leases

The Center leases telephone and fitness equipment under capital leases, which expire on various dates ranging from January 2012 to December 2013. The following is a schedule of future minimum lease payments:

Years ending June 30,

2012	\$	25,100
2013		20,483
2014		<u>8,593</u>
Total minimum lease payments		54,176
Less: amounts representing interest		<u>(8,326)</u>
		45,850
Less: Current portion		<u>(21,448)</u>
Long term portion	\$	<u>24,402</u>

Assets acquired under capital leases are presented in property and equipment on the accompanying Statements of Financial Position as follows:

Property and equipment	\$	76,631
Less: Accumulated amortization		<u>(35,943)</u>
	\$	<u>40,688</u>

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The Center is a party to various litigation matters which arose in the ordinary course of business. Management does not believe that any of these matters will have a material adverse impact on the Center's financial statements.

13. EMPLOYEE RETIREMENT PLAN

The Center offers a 401(k) plan which covers all full-time employees who have attained the age of twenty-one and have completed at least one year of service. The Plan allows employees to contribute up to a maximum of 100% of compensation, not to exceed Internal Revenue Code elective deferral limits. The Center's contributions are determined by the Board of Directors. All contributions are subject to the maximum amount deductible for federal income tax purposes. The Center's Board of Directors elected to cease matching contributions effective January 31, 2009 and no matching contribution was made for the years ended June 30, 2011 or 2010.

**JEWISH COMMUNITY CENTER
OF THE GREATER PALM BEACHES, INC.**

**REQUIRED COMMUNICATIONS WITH THE BOARD OF DIRECTORS
JUNE 30, 2011**



October 5, 2011

Board of Directors
Jewish Community Center of the Greater Palm Beaches, Inc.

We have audited the financial statements of Jewish Community Center of the Greater Palm Beaches, Inc. (the "Center") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 8, 2010. Professional standards require us to communicate certain information related to the conduct of our audit to the Audit Committee or the equivalent body. Consequently, we are providing you with the attached information related to the conduct of our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 13, 2011, as described by the professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Accounting Policies and Unusual Transactions

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the Center are described in NOTE 1 to the financial statements. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. There were no significant changes in the application of existing policies during 2011.

We noted no transactions entered into by the Center during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. In addition, we noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Audit Adjustments and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no adjustments recorded as a result of the audit.

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Other Information in Documents Containing Audited Financial Statements

Our responsibility as auditors for other information in documents containing the Center's audited financial statements and our auditor's reports thereon does not extend beyond the financial information identified in our auditor's reports, and we are not required to perform any procedures to corroborate such other information contained in these documents, if any.

We are not aware of any other documents containing audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards also define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the Center's financial statements or the auditor's reports.

We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

We are not aware of any situation in which management consulted with other independent accountants on accounting or financial reporting matters.

Major Issues Discussed with Management Prior to Retention

We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our appointment as the Center's auditors for the 2011 audit.

Difficulties Encountered in Performing the Audit

We were given direct and unrestricted access to the Center's staff and management. In addition, information requested throughout the audit process was provided without restriction.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2011.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In planning and performing our audit of the financial statements of the JCC as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the JCC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This letter is intended for the information and use of the Board of Directors of the Center and its management and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the Jewish Community Center of the Greater Palm Beaches, Inc. for the opportunity to be of service. If we can be of any further assistance, please do not hesitate to contact us.

Morrison, Brown, Argiz & Farra

MORRISON, BROWN, ARGIZ & FARRA, LLC
Certified Public Accountants