

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
NOTES TO FINANCIAL STATEMENTS	9 - 19
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	20 - 21

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC. (dba NCJW/LA)
Los Angeles, California

We have audited the accompanying financial statements of Los Angeles Section National Council of Jewish Women, Inc. ("NCJW/LA"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S. ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the U.S. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Section National Council of Jewish Women, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. GAAP.



INDEPENDENT AUDITORS' REPORT (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, on our consideration of the NCJW/LA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NCJW/LA's internal control over financial reporting and compliance.

RBZ, LLP

October 15, 2013

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Cash	\$ 253,551	\$ 335,456
Prepaid Expenses and Other Assets	462,699	409,248
Investments	1,957,784	1,920,154
Property and Equipment, net	<u>996,169</u>	<u>897,193</u>
 Total Assets	 <u>\$ 3,670,203</u>	 <u>\$ 3,562,051</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 664,769	\$ 553,442
Accrued unemployment	<u>15,908</u>	<u>15,908</u>
 Total Liabilities	 <u>680,677</u>	 <u>569,350</u>
 Commitments and Contingencies (Notes 7 and 9)		
 Net Assets		
Unrestricted	2,820,198	2,844,567
Temporarily restricted	<u>169,328</u>	<u>148,134</u>
 Total Net Assets	 <u>2,989,526</u>	 <u>2,992,701</u>
	 <u>\$ 3,670,203</u>	 <u>\$ 3,562,051</u>

See accompanying notes to financial statements.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Council thrift shops			
Thrift shop sales	\$ 8,584,156	\$ -	\$ 8,584,156
Less: Thrift shop operating costs	(6,929,883)	-	(6,929,883)
Car sales	5,800	-	5,800
Contributions-in-kind services	7,750	-	7,750
	1,667,823	-	1,667,823
Contributions-in-kind program materials	349,576	-	349,576
Contributions	128,470	77,770	206,240
Bequests	103,169	-	103,169
Grants - government	96,113	-	96,113
In-kind contributions of services	42,220	-	42,220
Rental income	36,385	-	36,385
Program service revenue	33,405	-	33,405
Memberships	16,996	-	16,996
Miscellaneous	9,516	-	9,516
Net Assets Released from Restrictions	56,576	(56,576)	-
	872,426	21,194	893,620
	2,540,249	21,194	2,561,443
Functional Expenses			
Program services			
Women helping women	1,347,852	-	1,347,852
Membership & outreach	261,776	-	261,776
Community engagement & special programs	217,920	-	217,920
Women helping children	234,050	-	234,050
Advocacy	210,530	-	210,530
	2,272,128	-	2,272,128
Management and Fundraising			
Management and general	224,335	-	224,335
Fundraising	142,969	-	142,969
	2,639,432	-	2,639,432
Changes in Net Assets from Operations	(99,183)	21,194	(77,989)
Non-Operating Income			
Investment income	52,600	-	52,600
Realized gains from sales of investments	71,039	-	71,039
Unrealized gains on investments	33,400	-	33,400
Sublease deficiency accrued	(82,225)	-	(82,225)
Total Non-Operating Income	74,814	-	74,814
Changes in Net Assets	(24,369)	21,194	(3,175)
Net Assets, beginning of year	2,844,567	148,134	2,992,701
Net Assets, end of year	\$ 2,820,198	\$ 169,328	\$ 2,989,526

See accompanying notes to financial statements.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Council thrift shops			
Thrift shop sales	\$ 8,126,807	\$ -	\$ 8,126,807
Less: Thrift shop operating costs	(6,434,734)	-	(6,434,734)
Car sales	1,915	-	1,915
Contributions-in-kind services	<u>8,350</u>	<u>-</u>	<u>8,350</u>
	<u>1,702,338</u>	<u>-</u>	<u>1,702,338</u>
Contributions-in-kind program materials	404,656	-	404,656
Grants - government	116,515	-	116,515
Contributions	185,632	107,603	293,235
Proceeds from fundraising events	75,130	-	75,130
Program service revenue	48,187	-	48,187
In-kind contributions of services	43,900	-	43,900
Memberships	18,840	-	18,840
Rental income	33,780	-	33,780
Net Assets Released from Restrictions	<u>75,008</u>	<u>(75,008)</u>	<u>-</u>
	<u>1,001,648</u>	<u>32,595</u>	<u>1,034,243</u>
	<u>2,703,986</u>	<u>32,595</u>	<u>2,736,581</u>
Functional Expenses			
Program services			
Women helping women	1,350,425	-	1,350,425
Membership & outreach	328,215	-	328,215
Women helping children	241,536	-	241,536
Advocacy	<u>184,777</u>	<u>-</u>	<u>184,777</u>
	<u>2,104,953</u>	<u>-</u>	<u>2,104,953</u>
Management and Fundraising			
Management and general	293,841	-	293,841
Fundraising	<u>202,867</u>	<u>-</u>	<u>202,867</u>
	<u>2,601,661</u>	<u>-</u>	<u>2,601,661</u>
Changes in Net Assets from Operations	<u>102,325</u>	<u>32,595</u>	<u>134,920</u>
Non-Operating Income			
Investment income	48,429	-	48,429
Realized gains from sales of investments	(50,467)	-	(50,467)
Unrealized gains on investments	<u>44,085</u>	<u>-</u>	<u>44,085</u>
Total Non-Operating Income	<u>42,047</u>	<u>-</u>	<u>42,047</u>
Changes in Net Assets	144,372	32,595	176,967
Net Assets, beginning of year	<u>2,700,195</u>	<u>115,539</u>	<u>2,815,734</u>
Net Assets, end of year	<u>\$ 2,844,567</u>	<u>\$ 148,134</u>	<u>\$ 2,992,701</u>

See accompanying notes to financial statements.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	Women Helping Women	Membership & Outreach	Community Engagement & Special Programs	Women Helping Children	Advocacy	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Personnel Expenses										
Salaries	\$ 560,713	\$ 114,598	\$ 102,398	\$ 120,953	\$ 106,105	\$ 1,004,767	\$ 64,095	\$ 99,000	\$ 163,095	\$ 1,167,862
Employee benefits	<u>114,787</u>	<u>26,724</u>	<u>24,281</u>	<u>31,575</u>	<u>28,827</u>	<u>226,194</u>	<u>11,672</u>	<u>21,993</u>	<u>33,665</u>	<u>259,859</u>
	675,500	141,322	126,679	152,528	134,932	1,230,961	75,767	120,993	196,760	1,427,721
Other Expenses										
Contributions-in-kind program materials	348,547	-	-	-	-	348,547	-	-	-	348,547
Programs - direct expenditures	101,946	16,345	31,561	38,645	21,637	210,134	-	-	-	210,134
Program support - national organization	22,691	26,267	20,764	22,691	22,691	115,104	-	-	-	115,104
Program events	-	13,339	-	-	-	13,339	-	-	-	13,339
Advertising	923	27,470	12,511	396	847	42,147	222	726	948	43,095
Computer support	16,446	2,299	678	1,106	1,383	21,912	7,468	940	8,408	30,320
Conferences	2,494	1,586	786	1,091	8,579	14,536	1,136	1,032	2,168	16,704
Depreciation and amortization	33,080	4,679	1,408	2,816	3,520	45,503	41,582	2,807	44,389	89,892
Equipment	-	-	70	-	-	70	-	-	-	70
Food expenses	716	330	188	544	285	2,063	341	285	626	2,689
Insurance	16,975	955	414	775	955	20,074	6,122	594	6,716	26,790
Office expenses	15,552	13,040	4,525	3,674	3,760	40,551	6,328	8,165	14,493	55,044
Payroll processing fees	-	-	-	-	-	-	22,646	-	22,646	22,646
Postage	1,691	2,647	1,526	334	71	6,269	-	2,431	2,431	8,700
Printing and publications	8,144	3,966	4,660	2,938	3,241	22,949	1,064	1,753	2,817	25,766
Professional fees	1,552	3,227	4,785	1,602	1,552	12,718	41,528	952	42,480	55,198
Professional services in-kind	33,320	-	5,600	-	3,300	42,220	-	-	-	42,220
Repairs and maintenance	16,919	1,847	739	1,477	1,847	22,829	9,973	1,108	11,081	33,910
Scholarships awarded	32,000	-	-	-	-	32,000	-	-	-	32,000
Telephone	5,557	458	229	915	457	7,616	2,473	274	2,747	10,363
Travel	1,120	590	233	1,391	64	3,398	77	64	141	3,539
Utilities	<u>12,679</u>	<u>1,409</u>	<u>564</u>	<u>1,127</u>	<u>1,409</u>	<u>17,188</u>	<u>7,608</u>	<u>845</u>	<u>8,453</u>	<u>25,641</u>
	<u>\$ 1,347,852</u>	<u>\$ 261,776</u>	<u>\$ 217,920</u>	<u>\$ 234,050</u>	<u>\$ 210,530</u>	<u>\$ 2,272,128</u>	<u>\$ 224,335</u>	<u>\$ 142,969</u>	<u>\$ 367,304</u>	<u>\$ 2,639,432</u>

See accompanying notes to financial statements.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

	Women Helping Women	Membership & Outreach	Women Helping Children	Advocacy	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Personnel Expenses									
Salaries	\$ 514,695	\$ 164,756	\$ 112,716	\$ 99,762	\$ 891,929	\$ 78,429	\$ 100,386	\$ 178,815	\$ 1,070,744
Employee benefits	<u>102,045</u>	<u>37,171</u>	<u>29,540</u>	<u>25,636</u>	<u>194,392</u>	<u>17,730</u>	<u>21,652</u>	<u>39,382</u>	<u>233,774</u>
	616,740	201,927	142,256	125,398	1,086,321	96,159	122,038	218,197	1,304,518
Other Expenses									
Contributions-in-kind program materials	404,656	-	-	-	404,656	-	-	-	404,656
Programs - direct expenditures	123,850	15,549	49,281	14,611	203,291	-	-	-	203,291
Program support - national organization	22,677	26,901	22,677	22,677	94,932	-	-	-	94,932
Program events	-	24,952	-	-	24,952	-	-	-	24,952
Advertising	4,597	11,055	1,684	1,268	18,604	989	4,127	5,116	23,720
Computer support	19,273	7,337	2,756	1,977	31,343	15,354	681	16,035	47,378
Conferences	728	1,685	312	2,371	5,096	531	460	991	6,087
Depreciation and amortization	22,952	3,498	4,311	2,463	33,224	48,098	875	48,973	82,197
Food expenses	854	841	829	278	2,802	675	358	1,033	3,835
Insurance	13,260	635	1,077	634	15,606	6,933	161	7,094	22,700
Office expenses	8,565	13,650	5,033	4,952	32,200	17,071	9,581	26,652	58,852
Payroll processing fees	-	-	-	-	-	19,182	-	19,182	19,182
Postage	1,039	2,545	360	119	4,063	9,110	2,748	11,858	15,921
Printing and publications	8,048	11,480	3,014	2,840	25,382	22,138	3,347	25,485	50,867
Professional fees	466	2,369	369	369	3,573	26,837	369	27,206	30,779
Professional services in-kind	42,300	-	-	1,600	43,900	-	-	-	43,900
Repairs and maintenance	15,485	1,769	3,095	1,769	22,118	17,244	442	17,686	39,804
Scholarships awarded	30,500	-	-	-	30,500	-	-	-	30,500
Special events	-	-	-	-	-	-	57,119	57,119	57,119
Telephone	3,311	235	1,009	234	4,789	2,271	58	2,329	7,118
Travel	1,177	650	1,484	80	3,391	166	219	385	3,776
Utilities	<u>9,947</u>	<u>1,137</u>	<u>1,989</u>	<u>1,137</u>	<u>14,210</u>	<u>11,083</u>	<u>284</u>	<u>11,367</u>	<u>25,577</u>
	<u>\$ 1,350,425</u>	<u>\$ 328,215</u>	<u>\$ 241,536</u>	<u>\$ 184,777</u>	<u>\$ 2,104,953</u>	<u>\$ 293,841</u>	<u>\$ 202,867</u>	<u>\$ 496,708</u>	<u>\$ 2,601,661</u>

See accompanying notes to financial statements.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (3,175)	\$ 176,967
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	145,625	121,364
Reinvestment of dividends and interest, net of fees	(32,991)	(34,819)
Realized and unrealized (gains) losses on investments	(104,439)	6,382
(Increase) decrease in operating assets		
Grant receivable	-	7,814
Prepaid expenses and other assets	(53,451)	(5,912)
Increase (decrease) in operating liabilities		
Accounts payable	(38,282)	(57,821)
Accrued expenses	149,609	112,011
Accrued unemployment	<u>-</u>	<u>(12,486)</u>
Net Cash Provided by Operating Activities	<u>62,896</u>	<u>313,500</u>
Cash Flows from Investing Activities		
Purchases of investments	(1,297,184)	(842,073)
Proceeds on sales of investments	1,230,768	752,758
Net activity in cash held in investments	166,216	89,315
Purchases of property and equipment	<u>(244,601)</u>	<u>(336,136)</u>
Net Cash Used in Investing Activities	<u>(144,801)</u>	<u>(336,136)</u>
Net Decrease in Cash	(81,905)	(22,636)
Cash, beginning of year	<u>335,456</u>	<u>358,092</u>
Cash, end of year	<u>\$ 253,551</u>	<u>\$ 335,456</u>

See accompanying notes to financial statements.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 - NATURE OF OPERATIONS

The Los Angeles Section National Council of Jewish Women, Inc. ("NCJW/LA") is a volunteer grassroots 501(c)(3) non-profit organization that addresses the social, economic, and political realities facing women and their families in Los Angeles. Founded in 1909, NCJW/LA strives to improve the quality of life of all women and children through responsive social services and community action.

NCJW/LA's organizational philosophies were borne out of, and remain distinguished by, a strong commitment to self-sufficiency, education, social responsibility, and the preservation of personal freedoms. These tenets are the cornerstone of NCJW/LA's programs and underscore its heritage as a women's empowerment organization.

The following is an overview of the current programs, services, and operations:

Women Helping Women Community Counseling & Support Services ("WHWS") - Works to improve the well-being of women and their families throughout the greater Los Angeles area. The majority of clients are women struggling to raise their families with very limited resources. WHWS operates a volunteer paraprofessional *Counseling Talkline*, provides individual and family counseling, support groups and assists clients in addressing problems arising from poverty, domestic violence, depression, unemployment, single parenthood, human trafficking, and child abuse through individualized case management. Counseling services and case management are also provided on a sliding scale for clients, both on site and at LAUSD schools and shelters.

Women Helping Children Art and Literacy Programs for Youth ("WHC") - Assists children and teens in succeeding in their educational experience and developing the skills necessary to lead a productive life. The *After-School Tutoring and Mentoring Program* at two inner-city homeless shelters trains volunteers to assist children with homework and provide support and encouragement. The school-based programs, *Art Pals* and *Light Up A Library*, provide art classes and assist libraries in staying open in Title I public elementary schools where lack of funding had led to closures and limited hours. Teen mom tutoring provides individual programs to help teen moms receive high school diplomas.

Advocacy/Public Affairs - Volunteers advocate at local, state, and national levels for public policy changes benefiting women, children and families, particularly on issues affecting NCJW/LA's clients. Issues that have been addressed by NCJW/LA include domestic violence, reproduction rights, women's health, the environment, human trafficking, individual rights, and childcare.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 - NATURE OF OPERATIONS (Continued)

Community Engagement and Special Programs - Provides tools, and networks to educate, empower, inspire, and connect Jewish women throughout Southern California. Provides workshops throughout the year and the annual Jewish Women's Conference to ensure that women have opportunities to be a part of a like-minded and proactive community.

NCJW/LA Thrift Shops - Operated by NCJW/LA for over eighty years, NCJW/LA Thrift Shops generate the major portion of NCJW/LA's operating budget. As a direct community service, NCJW/LA Thrift Shops provide free clothing to people in need through cooperative agreements with battered women's shelters, homeless shelters, and other agencies along with the Annual Clothing Giveaway.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Status

NCJW/LA is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and corresponding state provisions.

NCJW/LA's federal income tax and informational returns for tax years ending June 30, 2010 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, NCJW/LA's only state tax jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ending June 30, 2009 and subsequent.

Financial Statement Presentation

NCJW/LA reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets - Include contributions, fundraising, fees, sales and other forms of revenue that are not restricted by the donor or grantor as well as expenditures related to the general operations of NCJW/LA.

Temporarily Restricted Net Assets - Include contributions that are temporarily restricted by the donor or grantor. When the restriction expires, the net assets of this classification are reclassified to unrestricted net assets. Restricted contributions where restrictions are met in the same reporting period are classified as unrestricted.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Permanently Restricted Net Assets - Include contributions that have been restricted by the donor in perpetuity. NCJW/LA had no permanently restricted net assets as of June 30, 2013 or 2012.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Investments

Investments are monitored by the finance committee of the board of directors and are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately and are computed using the specific identification method.

Short-term, highly liquid money market deposits are treated as investments.

ASC Topic *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the U.S., and expands disclosures about fair value measurements. Under this topic, the NCJW/LA must report its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3). As of June 30, 2013 and 2012, all investments were considered to be Level 1 (see Note 4).

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchases of property and equipment are recorded at cost. Donated items are recorded at fair value when received. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the lease term. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the estimated useful life of the related asset as follows:

Buildings and improvements	10 - 30 years
Furniture and equipment	5 - 10 years
Software	5 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated or amortized over the estimated useful lives of the related assets.

Impairment of Long-lived Assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. If an impairment event exists due to the projected inability to recover the carrying value of an asset or asset group, an impairment loss is recognized to the extent that the carrying value exceeds estimated fair value. No impairment provision was recorded by the NCJW/LA during the years ended June 30, 2013 or 2012.

Contributions

Contributions consist primarily of donations from foundations, businesses and the general public. Contributions are accrued when committed to NCJW/LA by the donor.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at the fair values in the period received. Donated services of \$49,970 have been recorded on the accompanying financial statements, of which \$7,750 is included in the in-kind services for thrift shops for the year ended June 30, 2013. For the year ended June 30, 2012, NCJW/LA recorded donated services of \$52,250, of which \$8,350 is included in the in-kind services for the thrift shops. Additionally, donated thrift shop goods is discussed below.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

Certain NCJW/LA programs rely upon the extensive use of volunteer time which has not been recognized within the financial statements because the activities do not meet the criteria described above. During 2013 and 2012, NCJW/LA received the services of 500 and 630 volunteers providing 13,014 and 15,939 hours, respectively. Management has estimated the value of these services to be approximately \$322,096 and \$385,405, calculated using the Independent Sector Volunteer Rate for California of \$24.75 and \$24.18, respectively.

Contributed Goods

NCJW/LA records the value of goods donated for sale as thrift shop sales when the goods are sold. Management believes that it is not possible to develop a reasonable estimate for the value of the inventory at the time of the contribution. Accordingly, NCJW/LA does not record an inventory balance for the goods held in stock within the thrift stores. Donated goods provided to needy families and individuals are recorded as contributions and expenses at the estimated fair value of the good distributed. Donated goods that are utilized for NCJW/LA are discussed in Note 12.

Functional Allocation of Expenses

Costs of providing NCJW/LA's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. NCJW/LA uses square footage, time studies, and percentage of use estimates to allocate indirect costs.

Concentration of Risk

Occasionally, NCJW/LA's cash balances exceed FDIC-insured limits. NCJW/LA has not experienced and does not anticipate any losses related to these balances.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The NCJW/LA has evaluated events subsequent to June 30, 2013, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 15, 2013, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as noted in Note 13.

NOTE 3 - PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following:

	<u>2013</u>	<u>2012</u>
Prepaid expenses and other current assets	\$ 261,062	\$ 269,545
Rental security deposits and workers' compensation deposit	139,723	139,703
Other receivables	<u>61,914</u>	<u>-</u>
	<u>\$ 462,699</u>	<u>\$ 409,248</u>

NOTE 4 - INVESTMENTS

Investments consist of the following:

	<u>2013</u>	<u>2012</u>
Money market funds	\$ 194,964	\$ 328,475
Mutual stock funds	271,857	251,419
Equities	1,142,619	932,321
Government securities	143,795	152,887
Corporate bonds	<u>204,549</u>	<u>255,052</u>
	<u>\$ 1,957,784</u>	<u>\$ 1,920,154</u>

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 4 - INVESTMENTS (Continued)

Activity in the investments during the year was as follows:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 1,920,154	\$ 1,891,717
Purchases	1,297,184	842,073
Reinvestments of dividends and interest	52,600	48,429
Fees	(19,608)	(13,610)
Sales	(1,230,768)	(752,758)
Net mutual fund activity	(166,217)	(89,315)
Realized gains/(losses)	71,039	(50,467)
Unrealized gains	<u>33,400</u>	<u>44,085</u>
	<u>\$ 1,957,784</u>	<u>\$ 1,920,154</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 90,750	\$ 90,750
Buildings and improvements	1,397,591	1,395,991
Furniture and equipment	643,967	588,551
Software	132,446	118,073
Leasehold improvements	<u>446,300</u>	<u>273,088</u>
	2,711,054	2,466,453
Accumulated depreciation	<u>(1,714,885)</u>	<u>(1,569,260)</u>
	<u>\$ 996,169</u>	<u>\$ 897,193</u>

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was \$145,625 and \$121,364, respectively, of which \$55,733 and \$39,167 was included in thrift shop operating costs for the years ended June 30, 2013 and 2012.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	<u>2013</u>	<u>2012</u>
Accrued vacation	\$ 197,709	\$ 195,003
Accrued straightline rent	117,393	-
Accrued payroll	154,486	203,503
Accrued sublease deficiency	82,225	-
Other taxes payable	60,257	62,978
Other current liabilities	<u>52,699</u>	<u>91,958</u>
	<u>\$ 664,769</u>	<u>\$ 553,442</u>

NOTE 7 - COMMITMENTS AND CONTINGENCY

Leases

NCJW/LA leases eight thrift shop stores under operating leases expiring through August 2022. Some of these leases are subject to escalation clauses that will increase the lease payment by the percentage increase in the Consumer Price Index ("CPI"). Some of the leases contain options at the end of the lease term to extend the lease for an additional period of time as negotiated. Increases in future lease payments due to annual CPI changes are not reflected in the minimum future payments.

Total future minimum rentals under non-cancelable operating leases for the next five years are as follows:

<u>Year Ending June 30.</u>	
2014	\$ 1,475,434
2015	1,214,255
2016	634,063
2017	319,781
2018	208,998
Thereafter	<u>944,236</u>
	<u>\$ 4,796,767</u>

Rent expense under operating leases for the years ended June 30, 2013 and 2012 was \$1,371,272 and \$1,264,974, respectively.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 7 - COMMITMENTS AND CONTINGENCY (Continued)

NCJW/LA subleases the former North Fairfax thrift store location to an unrelated third party. NCJW/LA remains the lessee on the original lease agreement, which is reflected in the table above, related to this location that expires on August 31, 2015. The lease commitment and sublease rent income are as follows:

<u>Year Ending June 30,</u>	<u>Lease Commitment</u>	<u>Sublease Income</u>	<u>Net</u>
2014	\$ 185,552	\$ 149,373	\$ 36,179
2015	194,153	154,685	39,468
2016	<u>32,506</u>	<u>25,928</u>	<u>6,578</u>
	<u>\$ 412,211</u>	<u>\$ 329,986</u>	<u>\$ 82,225</u>

Contracts

NCJW/LA's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, NCJW/LA has no provisions for the possible disallowance of program costs included in its financial statements. Management believes that any such liability would not be material to its financial position.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30 are as follows:

	2013	2012
Emergency Survival Fund	\$ 19,011	\$ 14,027
I. Lawrence / Mr. Bauer Fund	26,339	26,739
Sherman & Frances Teller Teachers' Scholarship	33,853	27,853
Susan Schulman Begley Scholarship	13,205	14,205
Samuel Schulman Scholarship	13,692	14,682
Sophie Greenstadt (I Wish) Fund	7,289	8,189
Helen Holmes Fund (Women Helping Children)	6,443	6,443
S. Turrell Literacy Fund (Women Helping Children)	6,400	6,400
Shelli Dodell Scholarship Fund	8,000	4,000
Ellis Childcare Fund	1,500	3,000
S. Goldberg Childcare Subsidy Fund	2,600	600
June Miller Scholarship Fund	5,475	3,475
Singerman-Nossek Scholarship	2,521	3,521
S. Teller & R. Hotson TV & Cinema Scholarship	23,000	15,000
	\$ 169,328	\$ 148,134

NOTE 9 - ACCRUED UNEMPLOYMENT LIABILITY

NCJW/LA has elected to be self-insured for purposes of California state unemployment insurance and has established a provision for future claims in the amount of \$15,908 in both years. Unemployment claims for the years ended June 30, 2013 and 2012 were \$4,271 and \$19,606, respectively.

NOTE 10 - LINE OF CREDIT

NCJW/LA has a revolving line of credit in the amount of \$100,000 with a bank, at an initial interest rate of the bank reference rate plus three percentage points. There was no outstanding balance on the line of credit at June 30, 2013 or 2012. The line of credit agreement contains various restrictive covenants that include the maintenance of certain financial ratios, as defined in the agreement. For the fiscal years ended June 30, 2013 and 2012, NCJW/LA met all debt covenants.

**LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 11 - EMPLOYEE BENEFIT PLAN

NCJW/LA has a deferred tax compensation plan available to all employees with one or more years of service and who have reached age twenty-one. Employees may contribute any whole percentage of annual compensation provided that it does not exceed maximum amounts as permitted by law. On an annual basis, the Board of Directors of NCJW/LA determines whether NCJW/LA will match employee contributions based on the financial performance of the agency for the year then ended. NCJW/LA made matching contributions up to 3% of employee's annual earnings during the years ended June 30, 2013 and 2012. Employer contributions under this plan for the years ended June 30, 2013 and 2012 were \$40,605 and \$36,006.

NOTE 12 - CONTRIBUTIONS - IN-KIND PROGRAM MATERIALS

During the year, NCJW/LA received donated thrift shop goods at its stores, which it in turn provided to the clients it serves under WHWS. Under NCJW/LA's thrift stores policy, donated items are not recorded until sold. These thrift shop goods, although not sold, are recorded and valued at the average fair market values of similar goods sold at NCJW/LA's thrift stores to reflect their use by NCJW/LA's programs. For the years ended June 30, 2013 and 2012, a total of \$348,547 and \$404,656 was recognized as contributions-in-kind program materials revenue and expense.

NOTE 13 - SUBSEQUENT EVENT

Subsequent to June 30, 2013, the Board of Director's of NCJW/LA approved a board designated operating reserve of \$1,600,000. The purpose of the reserve is to ensure the stability of the mission, programs, employment, and ongoing operations of NCJW/LA.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
LOS ANGELES SECTION
NATIONAL COUNCIL OF JEWISH WOMEN, INC.
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America (the "U.S.") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the U.S. the financial statements of Los Angeles Section National Council of Jewish Women, Inc. ("NCJW/LA") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NCJW/LA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NCJW/LA's internal control. Accordingly, we do not express an opinion on the effectiveness of NCJW/LA'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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NCJW/LA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NCJW/LA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NCJW/LA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RBZ, LLP

October 15, 2013