

**Consolidated Financial Statements and Report of
Independent Certified Public Accountants**

**Combined Jewish Philanthropies of Greater Boston,
Inc. and Affiliates**

June 30, 2011 and 2010

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Report of Independent Certified Public Accountants

Board of Directors
Combined Jewish Philanthropies
of Greater Boston, Inc.

We have audited the accompanying consolidated statements of financial position of Combined Jewish Philanthropies of Greater Boston, Inc. and Affiliates (“CJP”) as of June 30, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of CJP’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 as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CJP’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Combined Jewish Philanthropies of Greater Boston, Inc. and Affiliates as of June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Boston, Massachusetts
December 1, 2011

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
Consolidated Statements of Financial Position
June 30, 2011 and 2010
(In thousands)

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 14,016	\$ 9,795
Cash restricted for debt repayment (note J)	5,502	932
Contributions receivable, net (note C)	26,235	21,132
Agency loans receivable, net (note D)	1,111	1,182
Investments (notes E and F)	645,141	559,680
Debt service reserve fund (note J)	1,316	1,320
Property and equipment, net (note G)	20,337	22,989
Other assets	4,214	3,748
	<u>717,872</u>	<u>620,778</u>
Total assets	\$ 717,872	\$ 620,778
LIABILITIES AND NET ASSETS		
Liabilities:		
Allocations payable	\$ 41,102	\$ 32,987
Grants payable - donor advised funds	7,113	11,562
Accounts payable and accrued expenses	1,865	2,010
Obligations for funds managed for others (note K)	23,908	21,040
Loan guarantee (note B)	5,200	5,200
Bonds and mortgage payable, net (note J)	11,875	12,125
Other liabilities	1,156	1,614
	<u>92,219</u>	<u>86,538</u>
Total liabilities	92,219	86,538
Minority interest in JCEP (note A)	223,435	184,852
Commitments and contingencies (note B)		
Net assets (note L):		
Unrestricted		
From operations	79,120	76,969
Donor advised funds	236,308	199,208
Temporarily restricted	41,328	30,439
Permanently restricted	45,462	42,772
	<u>402,218</u>	<u>349,388</u>
Total net assets	402,218	349,388
Total liabilities and net assets	\$ 717,872	\$ 620,778

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

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES

Consolidated Statements of Activities

For the year ended June 30, 2011

(With summarized information for the year ended June 30, 2010)

(In thousands)

	2011			Total	2010
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Support and revenue					
Campaign pledges, net	\$ 38,603	\$ 12,676	\$ 2,099	\$ 53,378	\$ 46,356
Gifts and bequests	76,663	296	424	77,383	26,379
Change in split interest agreements	127	141	-	268	90
Donated services	31	-	-	31	41
Net assets released from restrictions (note L)	10,360	(10,350)	(10)	-	-
Total donor support	<u>125,784</u>	<u>2,763</u>	<u>2,513</u>	<u>131,060</u>	<u>72,866</u>
Grants and allocations from United Way	623	-	-	623	668
Interest and dividend income, net (note E)	525	(56)	-	469	(14)
Realized investment gains, net (note E)	24,429	2,290	-	26,719	6,639
Unrealized investment gains, net (note E)	32,193	5,901	177	38,271	48,950
Rental income	1,290	-	-	1,290	1,273
Event revenue	1,589	-	-	1,589	1,232
Other revenue (note G)	1,493	-	-	1,493	130
Transfers to (from) other net assets	9	(9)	-	-	-
Total revenue	<u>62,151</u>	<u>8,126</u>	<u>177</u>	<u>70,454</u>	<u>58,878</u>
Total support and revenue	<u>187,935</u>	<u>10,889</u>	<u>2,690</u>	<u>201,514</u>	<u>131,744</u>
Expenditures					
Program allocations and distributions					
Program allocations	41,194	-	-	41,194	35,783
Donor advised fund grants	62,172	-	-	62,172	44,815
Programmatic expenditures	8,948	-	-	8,948	9,350
Total program allocations and distributions	<u>112,314</u>	<u>-</u>	<u>-</u>	<u>112,314</u>	<u>89,948</u>
Management and general	4,135	-	-	4,135	3,936
Fundraising	8,078	-	-	8,078	7,390
Total	<u>12,213</u>	<u>-</u>	<u>-</u>	<u>12,213</u>	<u>11,326</u>
Total expenditures	<u>124,527</u>	<u>-</u>	<u>-</u>	<u>124,527</u>	<u>101,274</u>
Minority interest in investment earnings of JCEP (notes E and F)	(24,157)	-	-	(24,157)	(16,427)
Change in net assets	39,251	10,889	2,690	52,830	14,043
Net assets at beginning of year	<u>276,177</u>	<u>30,439</u>	<u>42,772</u>	<u>349,388</u>	<u>335,345</u>
Net assets at end of year	<u>\$ 315,428</u>	<u>\$ 41,328</u>	<u>\$ 45,462</u>	<u>\$ 402,218</u>	<u>\$ 349,388</u>

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

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
Consolidated Statement of Activities
For the year ended June 30, 2010
(In thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Campaign pledges, net	\$ 35,409	\$ 10,814	\$ 133	\$ 46,356
Gifts and bequests	25,073	196	1,110	26,379
Change in split interest agreements	90	-	-	90
Donated services	41	-	-	41
Net assets released from restrictions (note L)	12,649	(12,649)	-	-
Total donor support	<u>73,262</u>	<u>(1,639)</u>	<u>1,243</u>	<u>72,866</u>
Grants and allocations from United Way	668	-	-	668
Interest and dividend income, net (note E)	38	(51)	(1)	(14)
Realized investment gains and losses, net (note E)	5,769	870	-	6,639
Unrealized and realized investment gains, net (note E)	42,585	6,258	107	48,950
Rental income	1,273	-	-	1,273
Event revenue	1,232	-	-	1,232
Other revenue	130	-	-	130
Transfers to (from) other net assets (note M)	644	(644)	-	-
Total revenue	<u>52,339</u>	<u>6,433</u>	<u>106</u>	<u>58,878</u>
Total support and revenue	<u>125,601</u>	<u>4,794</u>	<u>1,349</u>	<u>131,744</u>
Expenditures				
Program allocations and distributions				
Program allocations	35,783	-	-	35,783
Donor advised fund grants	44,815	-	-	44,815
Programmatic expenditures	9,350	-	-	9,350
Total program allocations and distributions	<u>89,948</u>	<u>-</u>	<u>-</u>	<u>89,948</u>
Management and general	3,936	-	-	3,936
Fundraising	7,390	-	-	7,390
Total	<u>11,326</u>	<u>-</u>	<u>-</u>	<u>11,326</u>
Total expenditures	<u>101,274</u>	<u>-</u>	<u>-</u>	<u>101,274</u>
Minority interest in investment earnings of JCEP (notes E and F)	(16,427)	-	-	(16,427)
Change in net assets	<u>7,900</u>	<u>4,794</u>	<u>1,349</u>	<u>14,043</u>
Net assets at beginning of year	268,277	25,645	41,423	335,345
Net assets at end of year	<u>\$ 276,177</u>	<u>\$ 30,439</u>	<u>\$ 42,772</u>	<u>\$ 349,388</u>

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

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

For the years ended June 30, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 52,830	\$ 14,043
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,046	1,161
Unrealized and realized investment gains, net	(64,990)	(55,589)
Contributions restricted for endowment	(3,284)	(2,456)
Gifts of securities	(16,399)	(13,151)
Gain on sale of fixed assets	(1,410)	-
Minority interest in investment earnings of JCEP	24,157	16,427
Provision (recoveries) for uncollectible pledges, notes, loans and other receivables	45	(226)
Changes in certain assets and liabilities:		
Contributions receivable	(5,155)	3,926
Agency loans receivable	71	124
Other assets	(458)	(816)
Debt service reserve fund	4	(2)
DAF grants payable	(4,449)	(4,850)
Accounts payable and accrued expenses	(145)	(311)
Other liabilities	(458)	1,160
Allocations payable	8,115	609
Net cash used in operating activities	<u>(10,480)</u>	<u>(39,951)</u>
Cash flows from investing activities:		
Purchase of fixed assets	(2,920)	(555)
Proceeds from sale of fixed assets	6,085	-
Purchase of investments	(460,872)	(209,928)
Proceeds from sales and maturities of investments	458,444	199,074
Net cash provided by (used in) investing activities	<u>737</u>	<u>(11,409)</u>
Cash flows from financing activities:		
Contributions restricted for endowment	3,284	2,456
Cash restricted for debt repayment	(4,570)	(19)
Principal payments on mortgage	(6)	(6)
Principal payments on bonds	(720)	(695)
Proceeds from issuance of debt	586	-
Capital contributions by minority partners in JCEP	26,218	56,038
Capital withdrawals by minority partners in JCEP	(11,792)	(16,106)
Funds received from others for investment	3,261	25,147
Funds distributed to others from managed investments	(2,297)	(13,502)
Net cash provided by financing activities	<u>13,964</u>	<u>53,313</u>
Net increase in cash and cash equivalents	4,221	1,953
Cash and cash equivalents at beginning of year	<u>9,795</u>	<u>7,842</u>
Cash and cash equivalents at end of year	\$ <u>14,016</u>	\$ <u>9,795</u>
Cash paid for interest	\$ <u>596</u>	\$ <u>620</u>

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

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

NOTE A - NATURE OF ORGANIZATION

Combined Jewish Philanthropies of Greater Boston, Inc. (“CJP”) is a major fundraising and social planning organization in eastern Massachusetts. Through its philanthropic development activities, grants and allocations, CJP is able to support local, national and international agencies that provide a wide range of services in health and welfare, group services, community relations, education, and culture. CJP’s support and revenue are derived principally from contributions, gifts and bequests from its donors, and earnings on its investments portfolio.

The consolidated financial statements include the results of the activities of the Jewish Community Endowment Pool, LLP (“JCEP”) and three supporting foundations. The supporting foundations have substantially the same purpose as CJP. JCEP was created in 1998 by CJP to serve as an endowment investment solution for small to mid-size endowment funds of eligible 501(c)(3) public charities. JCEP provides access to professional investment management, administration, and reporting for its partners. All partners share proportionately in the underlying money-management and custody costs. JCEP partners have full access to their funds at all times as outlined in the terms of the partnership agreement.

CJP serves as Majority-in-Interest Partner and Records Partner for JCEP. As of June 30, 2011 and 2010, CJP had a 59.47% and 61.94%, respectively, ownership interest in JCEP. The balance of the ownership interest of JCEP is held by 40 other non-profit institutions located primarily in the Greater Boston area. As defined in the JCEP partnership agreement, contributions of partner capital can be made to or from JCEP at any time subject to the approval of a majority-in-interest of partners. Full or substantial withdrawals of partner capital require advance written notice, may be subject to restrictions and are subject to the approval of a majority-in-interest of partners as defined in the partnership agreement.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of CJP, JCEP and CJP’s three supporting foundations. All intercompany accounts and transactions have been eliminated in consolidation.

Classification of Net Assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed or time-related restrictions. Accordingly, net assets of CJP and changes therein are classified and reported as follows:

Unrestricted - Assets and contributions that are not subject to donor-imposed or time-related restrictions or for which restrictions have expired. Pledges, unless otherwise restricted by the donor, are classified as unrestricted revenue in the year in which the pledge is made. Donor advised funds comprised 74.9% and 72.1% of unrestricted net assets at June 30, 2011 and 2010, respectively.

Temporarily Restricted - Net assets that are subject to donor-imposed or time-related restrictions that may or will be met by actions of CJP or the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions in the period in which the donor-imposed stipulations are met or the stipulated time restrictions have passed. CJP records contributions to be paid in a future period as temporarily restricted net assets at the present value of estimated future cash flows using an appropriate discount rate. Unspent appreciation of endowment funds comprised 70.3% and 77.5% of temporarily restricted net assets at June 30, 2011 and 2010, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Permanently Restricted - Net assets that are subject to donor-imposed restrictions which stipulate that resources be maintained permanently by CJP. Generally, the donors of these assets permit CJP to use or expend part or all of the economic benefits derived from the donated assets for general or specific purposes.

CJP reports gifts of securities, as well as land, buildings, and equipment, as unrestricted support unless donor stipulations specify how the donated assets must be used.

Endowment funds are primarily comprised of gifts with specific donor stipulations that the principal be held inviolate and that only the income be used. CJP determines grant availability from its endowment funds using the total return method discussed in Note M.

Cash and Cash Equivalents

CJP considers highly liquid debt instruments (money market funds or short-term obligations of the U.S. Government or its agencies) to be cash equivalents. Money market funds and other highly liquid debt instruments held as part of CJP's investment strategy are included within investments. CJP deposits its cash in major financial institutions. These deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times, such cash is significantly in excess of FDIC-insured limits. CJP has not experienced any losses as a result of the use of uninsured deposit accounts.

Contributions Receivable, Net

Contributions receivable are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as revenue until the conditions are substantially met. Contributions receivable are presented net of an allowance for uncollectible pledges and net present value discount. Campaign pledge revenue is presented net of amounts which are estimated to be uncollectible.

Bequests

Bequests are recognized as revenue when the right to receive the bequest is unconditional and the amount to be received is estimable. Such conditions generally occur after a will has cleared probate. Bequests receivable were \$293,000 and \$722,000 at June 30, 2011 and 2010, respectively.

Agency Loans Receivable, Net

Agency loans are recorded at the present value of estimated future cash flows. The discount rates for loans made during fiscal 2011 and 2010 were 3.00% and 2.97%, respectively.

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Allowances for Uncollectible Receivables

CJP's allowances for uncollectible receivables represents management's estimate of the amounts required to state receivables at their net realizable value. Actual write-offs are likely to vary from this estimate. Allowances were as follows at June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Contributions receivable	\$ 1,549	\$ 1,496
Notes, loans and other receivables	65	73
Agency loans receivable	61	61

Property and Equipment

Property and equipment are comprised principally of real estate and improvements, furniture, computers and equipment and is stated at cost on the date of acquisition, or in the case of gifts, at the fair market or the appraised value on the date of the donation.

Depreciation and amortization are provided in amounts sufficient to allocate costs over the estimated useful lives of the underlying assets. Property and equipment are depreciated and amortized using the straight line method as follows:

Buildings and improvements	20-40 years
Office furniture and equipment	3-10 years

Investments

CJP's investments are managed by professional advisors under the general direction of two senior volunteer committees of CJP's Board of Directors: the Board of Managers and the Investment Committee.

Investments are stated at fair value, as determined by quoted market prices, where available. Increases or decreases in market value are recorded in the accompanying statements of activities. Where quoted market prices are not available, fair value is determined either by reference to similar investments or to values established by the managers of such investments. Because of the inherent uncertainties in the valuation process, the investment manager's estimate may differ from the values that would have been used had a ready market existed. CJP has implemented policies and procedures to assess the reasonableness of the fair values provided, and it believes that the reported fair values are reasonable.

CJP holds State of Israel bonds which are held to maturity and are reported at the face value of the bonds. The total invested in State of Israel bonds was \$3,623,000 and \$4,460,000 at June 30, 2011 and 2010, respectively. In the opinion of management, the use of face value rather than fair value did not have a material impact on the accompanying financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Allocations Payable

CJP records obligations for allocations to beneficiary organizations upon approval by the Board of Directors.

Donor Advised Fund Grants Payable

CJP records obligations for multi-year grants to beneficiary organizations upon issuance of commitment letters.

Charitable Gift Annuities and Charitable Remainder Trusts

CJP records assets received under charitable gift annuity agreements and charitable remainder trusts at the fair value of the assets when received by CJP. In conjunction with these gifts, CJP has recorded a liability, included in funds managed for others, equal to the present value of future cash flows expected to be paid to the beneficiaries based upon their actuarial expected lives. The discount rates used to calculate the present value of new obligations were 4.05% and 4.30% for charitable remainder trusts and 5.00% and 5.00% for charitable gift annuities in fiscal 2011 and 2010, respectively.

Loan Guarantee

CJP guarantees \$5,200,000 of a \$32,100,000 bond issue for one of its beneficiary agencies with the bond insurer. This guaranty shall continue in full force and effect until the earlier of the date that all obligations have been paid in full by the borrower or July 1, 2031. CJP and the beneficiary agency have entered into a reimbursement, mortgage and security agreement that dictates certain covenant requirements upon the beneficiary agency and also provides for collateral in the event of default, including but not limited to an interest in the mortgaged property and an interest in the unrestricted revenues of the beneficiary agency. The beneficiary agency is in default of certain covenants with CJP as of June 30, 2011. The agency is not in default of covenants with its bond insurer. CJP recorded a liability and the commensurate allocation expense related to this guaranty in fiscal 2007. The agency has entered into a forbearance agreement with its bond insurer. Under this agreement, the agency's building will be marketed and sold. CJP anticipates that its guarantee will be called in full and that the \$5,200,000 will be payable to the bond insurer over the remaining life of the bonds. No request for payment on this guarantee has been received.

Donated Services

Volunteers have donated a significant amount of time to CJP's program services and fundraising campaigns. The value of these services is not reflected in the accompanying financial statements. However, the value of professional services donated is reported on the consolidated statement of activities.

Donor Advised Funds

Individuals may establish donor advised funds, whereby each fund and its related earnings can be distributed to charities recommended by the donor, subject to the approval of CJP's Board of Directors. Donor advised funds are included in unrestricted net assets and amounted to approximately \$236,300,000 and \$199,200,000 at June 30, 2011 and 2010, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Grant Allocations

In June 2011 and 2010, CJP's Board of Directors approved allocations of \$41,285,000 and \$35,693,000 to national, local and overseas agencies, respectively, for the twelve month allocation periods ending September 30, 2012 and 2011, with such allocations to be funded from the proceeds of the 2011 and 2010 Annual Campaigns and other sources of support and revenue, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions.

Income Taxes

CJP is recognized as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. However, certain activities of exempt organizations, to the extent profitable, may be subject to Federal and state taxation as unrelated business income. No provision for income taxes has been made in these financial statements, as management has identified no tax liability.

CJP recognizes the financial statement impact of a tax position only after determining that the relevant tax authority would have a greater than 50 percent likelihood of sustaining the position following an audit. CJP's most significant position related to taxes is its charitable status and the resulting exemption from income taxes.

CJP has applied this more-likely-than-not threshold to all tax positions for which the statute of limitation is open and determined there were no material uncertain tax positions as of June 30, 2011 and 2010.

It is CJP's policy to record estimated interest and penalties (if any) as part of management and general expense. Management believes that the CJP's income tax returns for fiscal years 2007 and prior are no longer subject to examination by taxing authorities.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to change include the fair value of investments, the allowance for uncollectible pledges, the functional allocation of expenses, and obligations for allocations payable and loan guarantees.

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Subsequent Events

On July 1, 2011, The Friends of the New England Holocaust Memorial, Inc. (“NEHM”), a separate Section 501(c)3 organization located in Boston, merged with CJP. This merger resulted in a transfer of all of the assets of NEHM, which included the Memorial itself and the endowment funds to support the Memorial to CJP, which resulted in an increase of \$4,194,671 in the net assets of CJP. This merger will be reflected in the financial statements of CJP for the period ending June 30, 2012.

Subsequent events have been evaluated through December 1, 2011, the date on which the audited financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2011 and 2010 are expected to be collected in future fiscal years as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Due within one year	\$ 25,506	\$ 20,429
Due within two to five years	2,355	2,294
Total due	<u>27,861</u>	<u>22,723</u>
Less discount (at rates from 1%-5.15%)	(77)	(95)
Less allowance for uncollectible pledges	<u>(1,549)</u>	<u>(1,496)</u>
Contributions receivable, net	<u>\$ 26,235</u>	<u>\$ 21,132</u>

As of June 30, 2011, CJP is aware of one conditional promise to give in the amount of \$900,000. Upon satisfaction of the conditions related to this promise, CJP will recognize contribution revenue.

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

NOTE D – AGENCY LOANS RECEIVABLE, NET

CJP makes loans to some of its major agencies for the purpose of funding benefits under a retirement plan that was frozen in a prior year and for other purposes. Agency loans consist of the following at June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Gross agency loans	\$ 1,565	\$ 1,663
Less discount (at rates from 2.97% to 5.15%)	(393)	(420)
Less: Allowance for uncollectible receivables	<u>(61)</u>	<u>(61)</u>
Agency loans receivable, net	<u>\$ 1,111</u>	<u>\$ 1,182</u>

Gross agency loans as of June 30, 2011 are scheduled to be collected in future fiscal years as follows (in thousands):

<u>Years Ending June 30</u>	
2012	\$ 163
2013	162
2014	193
2015	188
2016	140
Thereafter	<u>719</u>
	<u>\$ 1,565</u>

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

NOTE E – INVESTMENTS

Investments are comprised of the following as of June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Non-Pooled Investments		
Domestic equity	\$ 19,508	\$ 14,140
International equity	7,925	6,076
Private equity/venture capital	542	580
Absolute return/hedged equity	278	306
Fixed income	20,350	19,765
Money market funds	36,882	23,909
State of Israel bonds	3,623	4,460
Real estate	4,791	4,791
	<u>93,899</u>	<u>74,027</u>
Jewish Community Endowment Pool, LLP		
Domestic equity	83,062	45,984
International equity	98,666	69,175
Private equity/venture capital	15,525	11,039
Absolute return/hedged equity	169,164	154,909
Credit related	77,660	74,539
Real assets	35,175	35,104
Fixed income	16,198	15,811
Money market funds	35,420	79,092
Other assets*	20,372	-
	<u>551,242</u>	<u>485,653</u>
Investments	<u>\$ 645,141</u>	<u>\$ 559,680</u>

* Other assets consist of receivables for investments sold.

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

NOTE E – INVESTMENTS

The following table summarizes interest and dividend income for the years ended June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Interest and dividend income earned	\$ 3,063	\$ 1,869
Less investment expenses	<u>(2,594)</u>	<u>(1,883)</u>
Interest and dividend income, net	<u>\$ 469</u>	<u>\$ (14)</u>

CJP categorizes its investments as follows:

Domestic Equity

Domestic equity investments include direct and indirect investments in equity securities of U.S. companies of all sizes. The purpose of the domestic equity allocation is to provide a total return that will generate both growth in principal value and current income. Over the long term, the domestic equity allocation is intended to help preserve the real value of assets.

International Equity

International equity investments include indirect investments in equity securities of companies located in developed, emerging and frontier market countries outside the U.S. In addition to sharing the purpose of the domestic equity allocation, international equity investments allow exposure to countries that may be growing faster than the U.S.

Private Equity/Venture Capital

Private equity/venture capital investments include investments in limited partnerships that invest in equity or debt that is not publicly traded, in the equity of start-up companies or in companies embarking on new ventures or restructuring/turnaround plans. Like the other equity investments, the intended purpose is to help preserve the real value of assets.

Absolute Return/Hedged Equity

Absolute return/hedged equity investments include investments in limited partnerships that use marketable or semi-marketable strategies such as arbitrage, long/short equity or event-driven strategies. These investments have exposure to both long and short positions in a wide range of underlying investments focusing on public and private equity but also including fixed income securities, real estate, commodities and precious metals. Absolute return and hedged equity investments typically seek to provide equity-like returns with lower volatility than equity markets and lower correlations to equity markets than long equity investments.

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
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NOTE E – INVESTMENTS - Continued

Credit Related

Credit related investments include investments in both semi-marketable and illiquid limited partnerships that invest in long and short positions in various credit instruments, including bonds, loans, and other debt securities, either through direct purchase of the securities or through derivatives. The investments may include non-performing loans of companies in financial distress with the goal of increasing the value of these loans through financial restructuring and/or operational improvements. The purpose of credit related investments is to help preserve the real value of assets with less exposure to the risks of equity ownership of various companies.

Real Asset

Real asset investments include indirect investments in real estate, natural resources, commodities and securities with rates of return directly linked to inflation, such as Treasury Inflation Protected Securities (TIPS). The purpose of the real asset allocation is to provide a source of equity-like returns which have lower correlations to global equity markets and a higher possibility of real returns in inflationary environments.

Fixed Income

Fixed income investments include cash, cash equivalents and indirect investments in bonds and other income securities. The purposes of the fixed income allocation are to provide a deflation hedge, to reduce the overall volatility of the portfolio through additional diversification and to produce current income (in addition to dividends from equity investments) in support of current cash needs of CJP. Investments in cash and cash equivalents are also intended to preserve liquid capital for future investment or other cash needs of CJP.

The following table summarizes realized and unrealized gains (losses) on investment for the years ended June 30 (in thousands):

	<u>2011</u>			<u>2010</u>		
	<u>CJP</u>	<u>JCEP Minority Partners</u>	<u>Total</u>	<u>CJP</u>	<u>JCEP Minority Partners</u>	<u>Total</u>
Realized gains on sales of investments	\$ 15,766	\$ 10,953	\$ 26,719	\$ 4,453	\$ 2,186	\$ 6,639
Unrealized gains on investments	<u>24,721</u>	<u>13,550</u>	<u>38,271</u>	<u>34,354</u>	<u>14,596</u>	<u>48,950</u>
Net realized and unrealized gains on investments	<u>\$ 40,487</u>	<u>\$ 24,503</u>	<u>\$ 64,990</u>	<u>\$ 38,807</u>	<u>\$ 16,782</u>	<u>\$ 55,589</u>

NOTE F – FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a single authoritative definition of fair value, sets a framework for measuring fair value and requires additional disclosures about fair value measurements. CJP classifies its investments as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that CJP has the ability to access at the measurement date.
- Level 2 - Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants would use in valuing a portfolio instrument. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3 - Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect CJP's own assumptions about the factors market participants would use in valuing a portfolio instrument, and would be based on the best information available.

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value, as well as the general classification pursuant to the valuation hierarchy.

Investments

Investments valued at the quoted prices in an active market are classified within Level 1 of the fair value hierarchy.

Alternative Investments

These investments are aggregated by category based on their underlying investments. The fair value of such investments is determined using the net asset value (NAV) per share. The investments which are redeemable at or near CJP's fiscal year-end at NAV per share are classified within Level 2 of the fair value hierarchy; otherwise they are classified within Level 3 of the fair value hierarchy.

Money Market Funds

Money market funds are value based on quoted prices in active markets and are classified within Level 1 of the fair value hierarchy.

Contributions Receivable

Contributions receivable are recorded based on non-recurring fair value measurements. Any multi-year pledges received are recorded at the present value of future cash flows with a discount rate adjusted for any market conditions to arrive at fair value, which is considered to be a Level 3 measurement.

Gift Annuities and Charitable Remainder Trusts

Liabilities associated with split interest agreements are recorded based on non-recurring fair value measurements and are recorded at the present value of future cash flows expected to be paid to beneficiaries based upon actuarial lives, which is considered to be a Level 3 measurement.

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
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NOTE F – FAIR VALUE MEASUREMENTS - Continued

Debt Service Reserve Fund

The debt service reserve fund is invested by the custodian bank in money market funds and U.S. government securities. This asset is recorded at fair value on a recurring basis and is based on Level 1 inputs.

Changes in valuation techniques may result in transfers in or out of current assigned levels within the hierarchy. CJP recognizes transfers between fair value hierarchy levels at the approximate date of the change in circumstances that causes the transfer. There were no significant transfers between levels within the fair value hierarchy during the year.

CJP has classified assets and liabilities measured at fair value on a recurring basis at June 30, 2011 as follows (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2011 Total</u>
Debt Service Reserve Fund	\$ 1,316	\$ -	\$ -	\$ 1,316
Non-Pooled Investments				
Domestic equity	19,508	-	-	19,508
International equity	7,925	-	-	7,925
Private equity/venture capital	-	-	542	542
Absolute return/hedged equity	-	-	278	278
Fixed income	19,784	-	566	20,350
Money market funds	36,882	-	-	36,882
Real estate	-	4,791	-	4,791
	<u>84,099</u>	<u>4,791</u>	<u>1,386</u>	<u>90,276</u>
Jewish Community Endowment Pool, LLP				
Domestic equity	54,074	21,488	7,500	83,062
International equity	-	84,583	14,083	98,666
Private equity/venture capital	-	-	15,525	15,525
Absolute return/hedged equity	-	-	169,164	169,164
Credit related	-	-	77,660	77,660
Real assets	-	-	35,175	35,175
Fixed income	-	-	16,198	16,198
Money market funds	35,420	-	-	35,420
Other assets	20,372	-	-	20,372
	<u>109,866</u>	<u>106,071</u>	<u>335,305</u>	<u>551,242</u>
Total	<u>\$ 195,281</u>	<u>\$ 110,862</u>	<u>\$ 336,691</u>	<u>\$ 642,834</u>

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
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NOTE F – FAIR VALUE MEASUREMENTS - Continued

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis in the statement of financial position at June 30, 2010.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2010 Total</u>
Debt Service Reserve Fund	\$ 1,320	\$ -	\$ -	\$ 1,320
Non-Pooled Investments				
Domestic equity	14,140	-	-	14,140
International equity	6,076	-	-	6,076
Private equity/venture capital	-	-	580	580
Absolute return/hedged equity	-	-	306	306
Fixed income	19,265	-	500	19,765
Money market funds	23,909	-	-	23,909
Real estate	-	4,791	-	4,791
	<u>63,390</u>	<u>4,791</u>	<u>1,386</u>	<u>69,567</u>
Jewish Community Endowment Pool, LLP				
Domestic equity	25,712	20,272	-	45,984
International equity	13,199	55,518	458	69,175
Private equity/venture capital	-	-	11,039	11,039
Absolute return/hedged equity	-	6,637	148,272	154,909
Credit related	-	-	74,539	74,539
Real assets	-	-	35,104	35,104
Fixed income	-	-	15,811	15,811
Money market funds	79,092	-	-	79,092
	<u>118,003</u>	<u>82,427</u>	<u>285,223</u>	<u>485,653</u>
Total	<u>\$ 182,713</u>	<u>\$ 87,218</u>	<u>\$ 286,609</u>	<u>\$ 556,540</u>

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
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NOTE F – FAIR VALUE MEASUREMENTS - Continued

The following tables present a rollforward by investment category of the change in the value of Level 3 investments during the years ended June 30, 2011 (in thousands):

Non-Pooled Investments	Private equity/ Venture capital	Absolute return/ hedged equity	Fixed Income	Total
Balance, beginning of year	\$ 580	\$ 306	\$ 500	\$ 1,386
Redemptions	(68)	(21)	-	(89)
Realized and unrealized gains/(losses)	30	(7)	66	89
Balance, end of year	\$ 542	\$ 278	\$ 566	\$ 1,386

Jewish Community Endowment Pool, LLP	Domestic Equities	International Equities	Private equity/ Venture capital	Absolute return/ hedged equity	Credit Related	Real Assets	Fixed Income	Total
Balance, beginning of year	\$ -	\$ 458	\$ 11,039	\$ 148,272	\$ 74,539	\$ 35,104	\$ 15,811	\$ 285,223
Purchases	7,500	13,563	5,414	24,100	7,783	4,032	-	62,392
Redemptions	-	-	(3,420)	(21,963)	(9,899)	(7,284)	-	(42,566)
Realized and unrealized gains	-	62	2,492	18,755	5,237	3,323	387	30,256
Balance, end of year	\$ 7,500	\$ 14,083	\$ 15,525	\$ 169,164	\$ 77,660	\$ 35,175	\$ 16,198	\$ 335,305

The following tables present a rollforward by investment category of the change in the value of Level 3 investments during the years ended June 30, 2010 (in thousands):

Non-Pooled Investments	Private equity/ Venture capital	Absolute return/ hedged equity	Fixed Income	Total
Balance, beginning of year	\$ 690	\$ 1,645	\$ 450	\$ 2,785
Purchases	-	-	83	83
Redemptions	(23)	(1,533)	-	(1,556)
Realized and unrealized gains/(losses)	(88)	194	(32)	74
Balance, end of year	\$ 579	\$ 306	\$ 501	\$ 1,386

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NOTE F – FAIR VALUE MEASUREMENTS - Continued

Jewish Community Endowment Pool, LLP	International Equities	Private equity/ Venture capital	Absolute return/ hedged equity	Credit Related	Real Assets	Fixed Income	Total
Balance, beginning of year	\$ 10,249	\$ 9,022	\$ 119,350	\$ 65,572	\$ 28,174	\$ 14,317	\$ 246,684
Purchases	-	1,704	14,000	1,706	5,705	-	23,115
Redemptions	(9,763)	(1,015)	(2,263)	(5,444)	(940)	-	(19,425)
Realized and unrealized gains/ (losses)	<u>(28)</u>	<u>1,328</u>	<u>17,185</u>	<u>12,705</u>	<u>2,165</u>	<u>1,494</u>	<u>34,849</u>
Balance, end of year	<u>\$ 458</u>	<u>\$ 11,039</u>	<u>\$ 148,272</u>	<u>\$ 74,539</u>	<u>\$ 35,104</u>	<u>\$ 15,811</u>	<u>\$ 285,223</u>

The total changes in the unrealized gain included in the statements of activities attributable to Level 3 investments still held at June 30, 2011 and 2010 were \$11,072,000 and \$28,017,000, respectively.

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
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NOTE F – FAIR VALUE MEASUREMENTS - Continued

The table below presents (in thousands) additional information regarding investments, whose fair value is estimated using the practical expedient of reported net asset value (NAV) as of June 30, 2011. These disclosures are required for all investments that are eligible to be valued using the practical expedient as defined in Accounting Standards Update 2009-12, regardless of whether the practical expedient has been applied.

	<u>Uncalled Commitments</u>	<u>Fair Value</u>	<u>Less Than 30 Days</u>	<u>Redemption 30 Days to 1 Year</u>	<u>Greater Than 1 Year</u>
<u>Investments:</u>					
Private Equity/Venture Capital	\$ 17	\$ 542	\$ -	\$ -	\$ 542
Absolute Return Hedged Equity	-	278	-	-	278
Fixed Income Mutual Funds/ Investments	-	566	-	-	566
Domestic Equity	-	28,988 ⁽¹⁾	21,488	-	7,500
International Equity	-	98,666 ⁽²⁾	46,888	43,308	8,470
Private Equity/Venture Capital	9,628	15,525	-	-	15,525
Absolute Return/Hedge Equity	-	169,164 ⁽³⁾	17,063	99,094	53,007
Credit Related	24,167	77,660 ⁽⁴⁾	-	34,612	43,048
Real Assets	22,396	35,175 ⁽⁵⁾	2,655	-	32,520
Fixed Income	-	16,198 ⁽⁶⁾	5,399	-	10,799
	<u>\$ 56,208</u>	<u>\$ 442,762</u>	<u>\$ 93,493</u>	<u>\$ 177,014</u>	<u>\$ 172,255</u>
Total	<u>\$ 56,208</u>	<u>\$ 442,762</u>	<u>\$ 93,493</u>	<u>\$ 177,014</u>	<u>\$ 172,255</u>

- (1) Includes multiple investments in domestic equity securities, currently locked up (\$7,500).
- (2) Includes multiple investments in equity securities of companies in emerging and frontier markets outside the U.S. Currently in liquidation (\$220,000); locked up (\$8,250).
- (3) Includes multiple investments in absolute return/hedged equity strategies via limited partnerships. Currently in liquidation (\$1,004); locked up (\$29,184).
- (4) Includes multiple credit-related investments via limited partnerships with various tranches/withdrawal dates.
- (5) Includes multiple real asset investments via limited partnerships with various tranches/withdrawal dates.
- (6) Includes fixed income investments via a limited partnership. The limited partnership allows a withdrawal or a combination of withdrawals of up to one-third of the capital contribution (plus appreciation/depreciation), which may be withdrawn during any quarter, either annually or spread across several quarters in a rolling twelve-month period immediately preceding the original withdrawal date, as long as the fraction withdrawn is not greater than the one-third.

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NOTE G – PROPERTY AND EQUIPMENT

The following table summarizes the major categories of property and equipment, net at June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Land	\$ 4,158	\$ 4,509
Buildings and improvements	31,828	40,913
Furniture and fixtures	163	147
Computers and equipment	<u>1,730</u>	<u>1,473</u>
	37,879	47,042
Less accumulated depreciation and amortization	<u>(17,542)</u>	<u>(24,053)</u>
Property and equipment, net	<u>\$ 20,337</u>	<u>\$ 22,989</u>

During fiscal 2011, CJP sold a building located in Stoughton Massachusetts for \$5,500,000. The terms of the sale agreement also provided for up to an additional \$1,500,000 in proceeds of which \$750,000 was considered by management to be probable of collection and, accordingly, was included in determining the gain on sale of \$1,410,000. This gain was classified in the statement of activities as other revenue. The settlement of the debt related to this property is discussed in further detail in Note J.

NOTE H - COMMITMENTS AND CONTINGENCIES

Contingencies

In addition to the loan guarantee disclosed in Note B, CJP guarantees obligations of two of its affiliated agencies totaling approximately \$237,000. CJP does not believe that it is likely that it will incur an actual liability in the next 12 months as a result of these guarantees.

NOTE I – DEFINED CONTRIBUTION PLAN

CJP sponsors a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code that covers substantially all employees. CJP's contributions to this plan amounted to \$138,000 for the year ended June 30, 2011. For the year ended June 30, 2010, the Board of Directors suspended CJP's matching contribution to this Plan.

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NOTE J – DEBT

Bonds Payable

Bonds payable consisted of the following at June 30, 2011 and 2010 (in thousands):

	<u>2011</u>	<u>2010</u>
2002 Series A Issue	\$ 8,305	\$ 8,465
2003 Series A Issue	2,525	3,085
	<u>10,830</u>	<u>11,550</u>
Original issue premium/discount, net	78	189
	<u>10,908</u>	<u>11,739</u>
Bond payable, net	\$ 10,908	\$ 11,739

Aggregate maturities of bonds payable at June 30, 2011 become due as follows (in thousands):

<u>Years Ending June 30</u>	
2012	\$ 5,055
2013	800
2014	835
2015	880
2016	920
Thereafter	<u>2,340</u>
	<u>\$ 10,830</u>

Under the Massachusetts Development Finance Agency Revenue Bonds 2002 Series A and Forward Delivery Revenue Bonds 2003 Series A agreements, CJP must deposit monthly into a debt service fund an amount sufficient to fund the next six months' interest and principal payments and maintain a debt service reserve fund equal to one year's interest and principal payments. The debt service fund and the debt service reserve fund are both invested by the trustee bank in both money market bank accounts and U.S. Government securities.

The 2002 Series A and 2003 Series A bonds are collateralized by a security interest in CJP's gross receipts. The 2002 Series A bond is scheduled to mature on February 1, 2022 and has a stated interest rate of 5.25%. The 2003 Series A bond is scheduled to mature on February 1, 2015 and has a stated interest rate of 4.75%.

Of the 2002 Series A bonds remaining outstanding, \$4,295,000 is attributable to the property sold in 2011 (see Note G). Pursuant to the U.S. Treasury regulations governing tax exempt debt issues, CJP is required to redeem the attributable bonds (the "defeased bonds") at the earliest permissible redemption date, February 1, 2012, under the 2002 Series A Loan and Trust agreement. In May 2011, CJP deposited \$4,563,000 of the sale proceeds into a separate escrow account maintained by the trustee of the 2002 Series A bonds representing the principal, interest and redemption premium on the defeased bonds that is irrevocably pledged for the holders of the defeased bonds. The escrow deposit has been invested in certificates of deposit issued by a commercial bank and are scheduled to mature on August 1, 2011 and February 1, 2012, the principal and interest payment dates of the defeased bonds. Both of the bonds are carried at cost which approximates fair value.

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NOTE J – DEBT - Continued

Mortgages Payable

During 2006, a supporting foundation of CJP acquired a residential property and refurbished it to provide housing for individuals with disabilities. Partial financing was provided by a 30-year mortgage at 6% interest. In 2011, a supporting foundation of CJP acquired four condominiums that are being refurbished to provide housing for individuals with disabilities. Partial financing was provided by a 2-year mortgage at 5.25% interest. Interest expense paid was \$38,700 and \$23,700 in 2011 and 2010, respectively. Principal owed on the mortgages was \$967,000 and \$387,000 at June 30, 2011 and June 30 2010, respectively.

NOTE K- OBLIGATIONS FOR FUNDS MANAGED FOR OTHERS

CJP allows certain other not-for-profit organizations to pool resources and invest with CJP. CJP also administers charitable gift annuities and trusts benefiting other organizations. The obligations for funds managed for others consisted of the following at June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Planned/deferred gift liabilities	\$ 3,565	\$ 3,520
Passport to Israel program	2,298	2,384
Pooled disabilities trust	2,654	2,725
Funds held for other organizations	<u>15,391</u>	<u>12,411</u>
Obligations for funds managed for others	<u>\$ 23,908</u>	<u>\$ 21,040</u>

NOTE L- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 are comprised of (in thousands):

	<u>2011</u>	<u>2010</u>
Funds to support subsequent year activities	\$ 4,015	\$ 3,418
Unspent appreciation of endowment funds	29,052	23,583
Funds for donor-restricted initiatives	<u>8,261</u>	<u>3,438</u>
Temporarily restricted net assets	<u>\$ 41,328</u>	<u>\$ 30,439</u>

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes or by occurrence of other events specified by donors or by the passage of time.

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NOTE L- TEMPORARILY RESTRICTED NET ASSETS - Continued

Net assets were released as follows during the years ended June 30 (in thousands):

	<u>2011</u>	<u>2010</u>
Releases of net assets due to the passage of time	\$ 1,925	\$ 2,932
Releases of net assets restricted by performance:		
Israel in Crisis and overseas relief grants	346	396
Community and capital campaign allocations	4,018	5,134
National and local targeted grants	1,110	1,561
Trust fulfillment	81	-
Endowment grants and expenses	<u>2,880</u>	<u>2,626</u>
Net assets released from restrictions	<u>\$ 10,360</u>	<u>\$ 12,649</u>

NOTE M – ENDOWMENT FUNDS

CJP's endowment funds consist of approximately 150 individual funds established for a variety of purposes. The endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as quasi-endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has determined that absent explicit donor stipulations to the contrary, fiduciary standards require the preservation of the "historic dollar value" of donor-restricted endowment funds. "Historic dollar value" as to any donor-restricted endowment fund means the aggregate fair value of: (a) the original value of gifts donated to such fund; (b) the original value of subsequent gifts to such fund; and (c) accumulations to such fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accordingly, CJP classifies the historic dollar value of a donor-restricted endowment fund as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until those amounts are appropriated for expenditure by CJP.

NOTE M – ENDOWMENT FUNDS - Continued

Effective June 30, 2009, Massachusetts adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Massachusetts UPMIFA allows for the expenditure of a portion of the permanently restricted net assets of endowment funds after application of the factors set forth below:

- The duration and preservation of the funds
- The purposes of CJP and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of CJP
- The need to make distributions and preserve capital
- The investment policies of CJP

In February 2010, CJP's Board of Directors adopted an endowment spending policy that is structured in a manner consistent with Massachusetts UPMIFA.

Spending Policy and How the Investment Objectives Relate to Spending Policy

CJP has a policy of appropriating for distribution each year 4% of its endowment funds' average fair value over the prior 16 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. CJP does not currently intend to make distributions from endowment funds that do not have appreciation over historic dollar value. However, CJP's Board of Directors will review endowment funds with no appreciation on a case-by-case basis. Any distributions that result in the expenditure of a portion of historic dollar value are subject to the approval of the Board and are limited to no more than 10% of historic dollar value on a fund by fund basis and in aggregate distributions of this type may not exceed 5% of CJP's unrestricted endowment fund value.

In establishing this policy, CJP considered the long-term expected return on its endowment.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below "historic gift value". Deficiencies of this nature are reported by a charge to unrestricted net assets and a corresponding increase to temporarily restricted net assets. The related deficiency charged to unrestricted net assets totaled approximately \$0 and \$11,000 as of June 30, 2011 and 2010, respectively.

Endowment Investment Policy

CJP has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that CJP must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that over time will average the level of the approved CJP endowment spending rate plus inflation. Actual results in any given year may vary from this amount.

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NOTE M – ENDOWMENT FUNDS - Continued

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives CJP relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CJP employs a strategy designed to achieve a real return over consecutive rolling five-year periods of 5% over inflation with significant diversification to reduce volatility. CJP has adopted this strategy in order to protect the inviolate nature of the original corpus of permanently restricted gifts against potential market declines in the future and to provide a predictable flow of funds to support operations.

This is consistent with CJP's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified period as well as to provide additional real growth through new gifts and investment return.

Change in Endowment Net Assets for the Year Ended June 30, 2011:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
Balance beginning of year	\$ 48,777	\$ 23,584	\$ 42,035	\$ 114,396
Investment income, net	(91)	(96)	-	(187)
Net realized and unrealized investment gains	6,725	8,190	178	15,093
Total investment return	<u>6,634</u>	<u>8,094</u>	<u>178</u>	<u>14,906</u>
Appropriations for expenditure	(4,549)	(2,881)	-	(7,430)
Additions	3,019	266	2,128	5,413
Transfers to fund deficiencies	<u>11</u>	<u>(11)</u>	<u>-</u>	<u>-</u>
Balance end of year	<u>\$ 53,892</u>	<u>\$ 29,052</u>	<u>\$ 44,341</u>	<u>\$ 127,285</u>

COMBINED JEWISH PHILANTHROPIES OF GREATER BOSTON, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

NOTE M – ENDOWMENT FUNDS - Continued

Endowment net asset composition by type of fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 29,052	\$ 44,341	\$ 73,393
Board-designated	<u>53,892</u>	<u>-</u>	<u>-</u>	<u>53,892</u>
Total Endowment Funds	<u>\$ 53,892</u>	<u>\$ 29,052</u>	<u>\$ 44,341</u>	<u>\$ 127,285</u>

Change in Endowment Net Assets for the Year Ended June 30, 2010:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
Balance beginning of year	\$ 45,647	\$ 19,619	\$ 41,399	\$ 106,665
Investment income, net	(110)	(91)	(1)	(202)
Net realized and unrealized investment gains	<u>6,378</u>	<u>7,132</u>	<u>107</u>	<u>13,617</u>
Total investment return	<u>6,268</u>	<u>7,041</u>	<u>106</u>	<u>13,415</u>
Appropriations for expenditure	(4,954)	(2,710)	-	(7,664)
Additions	1,341	2	637	1,980
Transfers to fund deficiencies	563	(563)	-	-
Reclassifications	<u>(88)</u>	<u>195</u>	<u>(107)</u>	<u>-</u>
Balance end of year	<u>\$ 48,777</u>	<u>\$ 23,584</u>	<u>\$ 42,035</u>	<u>\$ 114,396</u>

Endowment net asset composition by type of fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 23,584	\$ 42,035	\$ 65,619
Board-designated	<u>48,777</u>	<u>-</u>	<u>-</u>	<u>48,777</u>
Total Endowment Funds	<u>\$ 48,777</u>	<u>\$ 23,584</u>	<u>\$ 42,035</u>	<u>\$ 114,396</u>