COMBINED FINANCIAL STATEMENTS

The National Conference for Community and Justice, Inc.

Year ended August 31, 2004
with summarized financial information for the year ended August 31, 2003
with Report of Independent Auditors

The National Conference for Community and Justice, Inc.

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ERNST & YOUNG

Ernst & Young LLP
5 Times Square
New York, New York 10036-6530

Phone: (212) 773-3000
www.ey.com

Report of Independent Auditors

The National Board of Directors
The National Conference for
Community and Justice, Inc.

We have audited the accompanying combined balance sheet of The National Conference for Community and Justice, Inc. ("NCCJ") as of August 31, 2004, and the related combined statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of NCCJ's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from NCCJ's 2003 combined financial statements and, in our report dated October 17, 2003, we expressed an unqualified opinion on those combined financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of The National Conference for Community and Justice, Inc. at August 31, 2004, and the combined changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

November 23, 2004,
except for Note 11, as to which the
date is January 5, 2005

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The National Conference for Community and Justice, Inc.

Combined Balance Sheet

	August 31 2004	August 31 2003
Assets		
Cash and cash equivalents	**$ 1,303,255**	$ 1,607,305
Investments—short-term, at fair value	**905,597**	549,495
Contributions receivable—short-term	**2,735,075**	4,267,385
Accrued interest receivable	**42,525**	39,507
Prepaid expenses and other assets	**495,375**	502,417
Investments—long-term, at fair value	**5,892,236**	7,909,298
Contributions receivable—long-term, net	**898,060**	1,319,290
Leasehold improvements, capitalized website costs and furniture and equipment, at cost, less accumulated depreciation and amortization	**355,582**	507,808
Total assets	**$12,627,705**	$16,702,505
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 2,046,725**	$ 1,797,960
Refundable advances	**594,113**	543,351
Total liabilities	**2,640,838**	2,341,311
Lease commitments		
Net assets:		
Unrestricted:		
Undesignated	**–**	1,731,326
Investment in leasehold improvements, capitalized website costs and furniture and equipment	**355,582**	507,808
Designated by boards	**4,198,783**	5,741,620
Total unrestricted	**4,554,365**	7,980,754
Temporarily restricted	**4,706,571**	5,684,483
Permanently restricted	**725,931**	695,957
Total net assets	**9,986,867**	14,361,194
Total liabilities and net assets	**$12,627,705**	$16,702,505

See accompanying notes.

The National Conference for Community and Justice, Inc.

Combined Statement of Activities

Year ended August 31, 2004
with summarized financial information for the year ended August 31, 2003

		Unrestricted	Temporarily Restricted	Permanently Restricted	2004 Total	2003 Total
Operating support, revenues and reclassifications						
Contributions		**$ 1,674,165**	**$ 256,375**	**$ 50,000**	**$ 1,980,540**	$ 1,880,137
Partner's campaign		**40,305**	**10,781**	**4,974**	**56,060**	120,867
Program related contributions and income		**5,935,401**	**187,046**	**–**	**6,122,447**	7,015,612
Special event income	**$9,586,751**					
Less direct benefit to donors	**1,783,173**					
Net special event income		**7,803,578**	**–**	**–**	**7,803,578**	7,762,063
Grants, legacies, bequests and special gifts		**6,642,641**	**790,913**	**–**	**7,433,554**	7,493,641
Other income		**5,994**	**–**	**–**	**5,994**	511,391
Investment income allocation		**1,358,507**	**–**	**–**	**1,358,507**	2,071,288
Net assets released from restrictions		**2,390,218**	**(2,365,218)**	**(25,000)**	**–**	–
Total operating support, revenues and reclassifications		**25,850,809**	**(1,120,103)**	**29,974**	**24,760,680**	26,854,999
Operating expenses						
Program services		**22,029,664**	**–**	**–**	**22,029,664**	23,735,182
Supporting services:						
Management and general		**1,111,551**	**–**	**–**	**1,111,551**	1,030,642
Fund raising		**5,170,808**	**–**	**–**	**5,170,808**	5,455,220
Total supporting services		**6,282,359**	**–**	**–**	**6,282,359**	6,485,862
Total operating expenses		**28,312,023**	**–**	**–**	**28,312,023**	30,221,044
Bad debt loss		**(4,750)**	**(71,494)**	**–**	**(76,244)**	–
Change in net assets before nonoperating activities		**(2,465,964)**	**(1,191,597)**	**29,974**	**(3,627,587)**	(3,366,045)
Nonoperating activities						
(Deficiency) excess of investment income over authorized transfer rate		**(960,425)**	**166,185**	**–**	**(794,240)**	(1,490,307)
Change in valuation of contributions receivable		**–**	**47,500**	**–**	**47,500**	(87,500)
Total nonoperating activities		**(960,425)**	**213,685**	**–**	**(746,740)**	(1,577,807)
Change in net assets		**(3,426,389)**	**(977,912)**	**29,974**	**(4,374,327)**	(4,943,852)
Net assets, beginning of year		**7,980,754**	**5,684,483**	**695,957**	**14,361,194**	19,305,046
Net assets, end of year		**$ 4,554,365**	**$ 4,706,571**	**$ 725,931**	**$ 9,986,867**	$14,361,194

See accompanying notes.

The National Conference for Community and Justice, Inc.

Combined Statement of Cash Flows

	Year ended August 31	
	2004	**2003**
Cash flows from operating activities		
Change in net assets	**$ (4,374,327)**	$ (4,943,852)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**156,012**	149,504
Permanently restricted contributions	**(54,974)**	(11,808)
Amortization of discount on long-term pledges and change in valuation of contributions receivable	**(59,376)**	(173,021)
Realized gains on investments	**(1,506,513)**	(949,854)
Change in net unrealized loss on investments	**1,110,621**	600,601
Changes in operating assets and liabilities:		
Contributions receivable	**1,877,890**	789,955
Accrued interest receivable	**(3,018)**	28,575
Prepaid expenses and other assets	**7,042**	138,178
Accounts payable and accrued expenses	**248,765**	(280,921)
Refundable advances	**50,762**	223,309
Net cash used in operating activities	**(2,547,116)**	(4,429,334)
Cash flows from investing activities		
Purchases of property and equipment	**(3,786)**	(14,739)
Proceeds from sales of investments	**12,256,896**	7,613,719
Purchases of investments	**(10,200,044)**	(3,099,646)
Net cash provided by investing activities	**2,053,066**	4,499,334
Cash flows from financing activities		
Permanently restricted contributions	**190,000**	151,808
Net cash provided by financing activities	**190,000**	151,808
Net (decrease) increase in cash and cash equivalents	**(304,050)**	221,808
Cash and cash equivalents at beginning of year	**1,607,305**	1,385,497
Cash and cash equivalents at end of year	**$ 1,303,255**	$ 1,607,305

See accompanying notes.

The National Conference for Community and Justice, Inc.

Combined Statement of Functional Expenses

Year ended August 31, 2004
with summarized financial information for the year ended August 31, 2003

	Program Services							Supporting Services				Total	
	Youth and Emerging Leaders	News Media and Advertising Leaders	Government Leaders	Education Leaders	Faith Leaders	Economic Opportunity Leaders	Total	Management and General	Direct Benefit to Donor of Special Events	Fund Raising	Total	2004	2003
Salaries	$4,322,584	$ 756,478	$2,460,946	$1,797,106	$1,125,119	$1,512,483	$11,974,716	$ 587,820	$ –	$ 2,333,210	$ 2,921,030	$ 14,895,746	$ 15,806,955
Payroll taxes and employee benefits	916,363	156,302	479,214	386,469	222,909	321,927	2,483,184	141,869	–	473,539	615,408	3,098,592	3,196,757
Total salaries and related expenses	5,238,947	912,780	2,940,160	2,183,575	1,348,028	1,834,410	14,457,900	729,689	–	2,806,749	3,536,438	17,994,338	19,003,712
Printing, postage and video production	38,815	9,418	6,213	19,288	6,087	12,046	91,867	454	–	15,091	15,545	107,412	209,530
Reference, publications and subscriptions	12,266	2,515	3,089	7,432	4,092	4,964	34,358	3,474	–	8,478	11,952	46,310	34,122
Strategic initiatives:													
Personnel costs and fees	515,188	64,021	71,627	256,641	131,359	130,567	1,169,403	4,415	–	299,013	303,428	1,472,831	1,441,313
Printing, postage and video production	126,139	16,270	21,140	51,090	32,959	35,505	283,103	411	–	76,961	77,372	360,475	392,259
Rent, meals and reception	809,856	109,842	125,943	279,446	141,834	202,758	1,669,679	11,246	–	332,457	343,703	2,013,382	2,363,645
Supplies	240,930	43,467	48,313	101,203	44,919	80,079	558,911	12,311	–	120,440	132,751	691,662	697,986
Training	42,782	7,506	8,720	19,484	9,640	13,234	101,366	2,399	–	22,329	24,728	126,094	215,587
Travel	97,053	9,167	11,209	34,839	13,789	23,334	189,391	1,222	–	37,121	38,343	227,734	267,749
Total strategic initiatives	1,831,948	250,273	286,952	742,703	374,500	485,477	3,971,853	32,004	–	888,321	920,325	4,892,178	5,378,539
Direct benefit to donors:													
Rent, meals and reception	–	–	–	–	–	–	–	–	1,567,655	–	1,567,655	1,567,655	1,730,558
Entertainment, photos and awards	–	–	–	–	–	–	–	–	215,518	–	215,518	215,518	277,175
Direct dinner costs:													
Committee expenses and travel	–	–	–	–	–	–	–	–	–	18,022	18,022	18,022	53,969
Consultants and temporary help	–	–	–	–	–	–	–	–	–	184,288	184,288	184,288	175,151
Printing, postage and video production	–	–	–	–	–	–	–	–	–	389,362	389,362	389,362	388,978
Travel and entertainment	57,084	14,573	32,499	27,570	30,708	30,136	192,570	16,281	–	35,920	52,201	244,771	357,310
Telephone	111,928	24,295	38,391	52,158	34,419	44,985	306,176	52,893	–	72,614	125,507	431,683	430,241
Supplies	106,941	22,883	36,674	49,840	30,987	38,602	285,927	6,720	–	62,162	68,882	354,809	386,273
Equipment and maintenance	175,178	30,482	39,265	66,899	37,627	58,692	408,143	30,143	–	99,970	130,113	538,256	550,390
Postage	50,731	8,456	20,833	21,934	14,226	17,765	133,945	3,192	–	28,879	32,071	166,016	224,318
Occupancy, net	608,212	152,739	278,051	271,212	169,664	240,491	1,720,369	122,663	–	444,246	566,909	2,287,278	2,041,011
Insurance	28,160	16,198	17,227	19,338	16,656	19,303	116,882	29,565	–	35,136	64,701	181,583	206,921
Professional fees	64,347	36,197	24,627	30,548	26,419	45,412	227,550	36,905	–	55,262	92,167	319,717	631,075
Amortization of leasehold improvements	3,182	3,082	17	467	6,315	3,099	16,162	7,706	–	8,290	15,996	32,158	32,158
Depreciation of capitalized website costs and furniture and equipment	27,611	7,813	81	5,551	14,736	10,170	65,962	39,862	–	18,018	57,880	123,842	117,346
Total functional expenses	8,355,350	1,491,704	3,724,079	3,498,515	2,114,464	2,845,552	22,029,664	1,111,551	1,783,173	5,170,808	8,065,532	30,095,196	32,228,777
Less direct benefit to donors of special events	–	–	–	–	–	–	–	–	(1,783,173)	–	(1,783,173)	(1,783,173)	(2,007,733)
Total expenses reported by function on the combined statement of activities	8,355,350	$ 1,491,704	$3,724,079	$3,498,515	$2,114,464	$2,845,552	$22,029,664	$1,111,551	$ –	$ 5,170,808	$ 6,282,359	$ 28,312,023	$ 30,221,044
Total expenses reported by function on the combined statement of activities for the year ended August 31, 2003	$8,662,495	$ 1,413,817	$4,347,167	$3,372,928	$2,897,577	$3,041,198	$23,735,182	$1,030,642	$ –	$ 5,455,220	$ 6,485,862		

See accompanying notes.

The National Conference for Community and Justice, Inc.

Notes to Combined Financial Statements

August 31, 2004

1. Organization and Significant Accounting Policies

Organization

The National Conference for Community and Justice, Inc. ("NCCJ"), founded in 1927, is a human relations organization dedicated to fighting bias, bigotry and racism in America. NCCJ promotes understanding and respect among all races, religions and cultures through advocacy, conflict resolution and education. NCCJ consists of its national office and 49 regional offices throughout the country. The accompanying combined financial statements include the accounts of the national headquarters and all of the regional offices. All material interaffiliate accounts and transactions have been eliminated in combination.

Significant Accounting Policies

Measure of Operations

NCCJ includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including an authorized investment allocation. Investment income, including net realized and unrealized gains and losses, earned in excess of or less than NCCJ's aggregate authorized transfer rate is recognized as nonoperating revenue or expense.

Use of Estimates

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

Net Asset Classification

In order to ensure observance of restrictions placed on the use of resources available to NCCJ, the accounts of NCCJ are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specific activities and objectives. Separate accounts are maintained for each net asset class; however,

1. Organization and Significant Accounting Policies (continued)

in the accompanying combined financial statements, net asset classes that have similar characteristics have been combined into three net asset categories—unrestricted, temporarily restricted and permanently restricted.

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. The amounts classified in the accompanying combined balance sheets as board designated are not donor restricted but are considered to be quasi-endowment funds which are not available for general operating purposes. Such funds principally relate to proceeds from the sale of NCCJ's New York headquarters building in a prior year, plus accumulated investment income and the contributions received for NCCJ's founders' capital campaign. The use of the board-designated funds for general operating purposes requires approval by the National Board of Directors.

- Temporarily restricted net assets contain donor-imposed restrictions that permit NCCJ to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of NCCJ.

- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit NCCJ to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenue Recognition

All unconditional contributions are recorded as revenue when received. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. NCCJ records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying combined statement of activities as net assets released from restrictions. Restricted contributions received and expended within the same fiscal year are reported as unrestricted contributions.

Legacies and bequests are recognized when an unassailable right to the gift has been established by the court and the proceeds are measurable. Revenue and grants from government agencies are recognized when related expenses are incurred.

1. Organization and Significant Accounting Policies (continued)

Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting service classifications primarily on the basis of the employees' time allocations or other bases determined by management.

Investments

Investments generally consist of common stocks, corporate bonds, municipal bonds and U.S. Government securities. Marketable equity securities and all debt securities are reported at fair value (quoted market prices).

Realized gains and losses are computed on a first-in, first-out basis. Investment expenses of $64,901 and $49,747 have been netted against investment income in the accompanying combined statements of activities for the years ended August 31, 2004 and 2003, respectively.

Leasehold Improvements, Capitalized Website Costs and Furniture and Equipment

Leasehold improvements, capitalized website costs and furniture and equipment are stated at cost, if purchased or, if donated, at the estimated fair value at the date received.

Depreciation is provided on the straight-line basis over the estimated useful lives of the fixed assets ranging from three to ten years. Amortization of leasehold improvements is provided on the straight-line basis over the estimated useful lives of the improvements or the remaining life of the lease, whichever is shorter.

NCCJ accounts for website development costs in accordance with Emerging Issues Task Force Issue 00-2, *Accounting for Website Development Costs*, which requires certain website costs to be accounted for under the principles of the American Institute of Certified Public Accountants ("AICPA") Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.*

1. Organization and Significant Accounting Policies (continued)

Contributed Services

Volunteers have donated time to NCCJ's programs and supporting services. In addition, certain services were provided to NCCJ "in-kind." For the years ended August 31, 2004 and 2003, approximately $120,000 and $22,000, respectively, have been reflected in the accompanying combined financial statements for such contributed services as these services meet the criteria for recognition as contributions established by accounting principles generally accepted in the United States.

Cash Equivalents

Cash equivalents consist of highly liquid investments with maturities of three months or less when purchased and exclude cash equivalents that are part of the investment portfolio.

At August 31, 2004, all of NCCJ's cash and cash equivalent balances were deposited in two financial institutions.

2003 Summarized Financial Information

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with NCCJ's combined financial statements for the year ended August 31, 2003, from which the summarized information was derived.

2. Tax-Exempt Status

NCCJ qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes under Internal Revenue Code Section 501(a). Contributions to NCCJ qualify for the maximum charitable deduction under Internal Revenue Code Section 509(a)(1). NCCJ is also exempt from state and local income taxes.

3. Contributions Receivable

Contributions receivable as of August 31, 2004 were due to be collected as follows:

Less than one year	$2,735,075
One to five years	339,953
More than five years	631,500
	3,706,528
Less:	
Discount to present value (at discount rates ranging from approximately 1.6% to 6%)	23,482
Allowance for doubtful accounts	49,911
	$3,633,135

4. Investments

At August 31, 2004 and 2003, investments consist of the following:

	2004		2003	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Short-term:				
Cash and cash equivalents	**$866,555**	**$866,555**	$ 301,369	$ 301,369
U.S. Government securities	**39,250**	**39,042**	174,299	172,483
Corporate bonds	**–**	**–**	78,311	75,643
	905,805	**905,597**	553,979	549,495
Long-term:				
Cash and cash equivalents	**691,000**	**690,999**	–	–
U.S. Government securities	**3,178,391**	**3,159,411**	1,902,102	1,993,122
Corporate bonds	**1,130,573**	**1,123,258**	859,895	873,903
Common stocks	**678,295**	**686,518**	3,912,288	4,900,429
Municipal bonds	**154,033**	**152,050**	60,172	61,844
Other	**80,000**	**80,000**	80,000	80,000
	5,912,292	**5,892,236**	6,814,457	7,909,298
	$6,818,097	**$6,797,833**	$ 7,368,436	$ 8,458,793

It is NCCJ's policy to make an annual investment allocation for the support of operations. For fiscal 2004, a rate equal to 6.5% of the average balance in the permanently restricted and board designated investment portfolio balances for the trailing 36 month period was used. Also, for fiscal 2004, the National Board of Directors approved an additional investment allocation to support certain NCCJ strategic initiatives.

4. Investments (continued)

Investment income for the year ended August 31, 2004 has been reported as follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	$ 196,753	$ 36,523	$ 233,276
Net realized gains, net of investment expenses of $64,901	1,257,523	184,089	1,441,612
Change in net unrealized loss	(1,056,194)	(54,427)	(1,110,621)
Total return on investments	398,082	166,185	564,267
Investment return authorized for current operations	(804,000)	–	(804,000)
Investment return authorized for strategic initiatives	(554,507)	–	(554,507)
	(1,358,507)	–	(1,358,507)
(Deficiency) excess of investment return over authorized transfer rate	$ (960,425)	$166,185	$ (794,240)

5. Fair Values of Financial Instruments

The following methods and assumptions were used by NCCJ in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the combined balance sheet for cash and cash equivalents approximate fair value.

Investment securities: Fair values for investment securities, including U.S. Government securities, corporate bonds, municipal bonds and common stocks, are based on quoted market prices.

6. Leasehold Improvements, Capitalized Website Costs and Furniture and Equipment

At August 31, 2004 and 2003, leasehold improvements, capitalized website costs and furniture and equipment consist of the following:

	August 31	
	2004	**2003**
Leasehold improvements	**$285,817**	$ 298,558
Capitalized website costs	**185,010**	185,010
Furniture and equipment	**460,781**	538,770
	931,608	1,022,338
Less accumulated depreciation and amortization	**576,026**	514,530
	$355,582	$ 507,808

7. Retirement Plan

NCCJ has a contributory retirement pension plan covering all eligible employees. Eligible employees are those that either work a minimum of 20 hours per week or a minimum of 1,000 hours per 12-month period and contribute a minimum of 5% of their salary to the plan, subject to federal restrictions. The plan provides for monthly benefits upon retirement. The plan is a defined contribution plan and benefits may vary in amount based upon compensation and length of service prior to retirement. Under the terms of the plan, NCCJ is funding the plan in a "dollar-for-dollar" match equal to the employees' contribution, which ranges from a minimum of 5% to a maximum of 9% of the participating employees' gross salary. During fiscal 2004, NCCJ elected not to provide a match for the last quarter of the fiscal year.

Pension expense for the years ended August 31, 2004 and 2003 amounted to approximately $566,000 and $789,000, respectively.

8. Temporarily Restricted Net Assets and Net Assets Released from Restrictions

Temporarily restricted net assets at August 31, 2004 are available for the following purposes:

Purpose restrictions:	
Institute for Human Relations—Chicago	$1,584,521
Anytown	512,184
Aetna Voice of Conscience Award (Arthur Ashe Foundation)	287,000
Green Circle	261,627
Partner's Campaign—Hassenfeld NCCJ Youth Leadership Initiative	237,005
Racial and Ethnic Disparities in Healthcare	199,175
Initiative for Executive Leadership	160,000
Youth Programming Expansion—Unitown Project	143,796
Be The Change—60th Anniversary Campaign	117,950
Police Community Relations	92,000
Diversity Training	64,500
Forums on Investment—Addressing the Capital Access Gap	61,086
Youth Leadership Programs	58,900
Creating Leadership for inclusive Organizations	50,000
September 11th Anti-Bias Project	50,000
Promise Project/Peace Jam	31,125
Programming Strategies	27,000
Metrotown Institute	25,082
It's Your Move	21,500
Social Change Leadership Institute (SCLI)	10,000
Transforming Communities	10,000
Dismantling Racism Program/Youth Leadership Institute	10,000
Building Inclusive Schools	5,000
Other	3,259
	4,022,710
Time Restricted—Partner's Campaign	529,486
Time Restricted—Walk for Community & Justice	154,375
	$4,706,571

The Chicago regional office of NCCJ is named as one of the beneficiaries of the Arthur Rubloff Trust (the "Trust"). In accordance with the Trust, the contributions from the Trust are to be used for particular programs or activities, to be determined by the trustees and the beneficiary's governing board, which programs or activities would not otherwise be accomplished.

8. Temporarily Restricted Net Assets and Net Assets Released from Restrictions (continued)

At August 31, 2004, NCCJ has recorded approximately $607,500 as contributions receivable, which represents the estimated value of the undistributed portion of certain illiquid assets of the Trust. This bequest is included in NCCJ's temporarily restricted net assets in the accompanying combined balance sheets.

Temporarily restricted net assets were released from restrictions in fiscal 2004 in fulfillment of the following purposes:

September 11th Anti-Bias Project	$ 303,000
Anytown	271,718
Youth Leadership Programs	212,700
Partner's Campaign—Hassenfeld NCCJ Youth Leadership Initiative	163,000
Green Circle	141,000
Diversity Training	104,651
Programming Strategies	102,000
Program to Reduce Racial Profiling In Detroit	85,000
Anytown/Unitown	75,000
Community Cousins Program	48,037
Promise Project/Peace Jam	43,612
Building Inclusive Schools	37,740
Leadership in the New Century (LINC)	35,000
Lead Boston	33,808
It's Your Move	30,000
Metrotown Institute	23,800
Masters of Communications Project	22,500
Two Towns of Jasper	20,000
Diversity Leadership Institute	20,000
Dismantling Racism Program/Youth Leadership Institute	17,962
Allies For Communities of Tomorrow	16,500
Forums of Investment—Addressing the Capital Access Gap	9,000
Reaching Our Children	8,000
Aetna Voice of Conscience Award (Arthur Ashe Foundation)	8,000
Technological Enhancement	5,000
Martin Luther King Luncheon	5,000
Experiencing Your Neighbors' Faith	3,500
	1,845,528
Passage of Time—Partner's Campaign	309,500
Passage of Time—Walk For Community & Justice	210,190
	$ 2,365,218

8. Temporarily Restricted Net Assets and Net Assets Released from Restrictions (continued)

During 2004, $25,000 of permanently restricted net assets was reclassified into unrestricted net assets due to a change in donor intentions.

9. Lease Commitments

NCCJ is obligated under various noncancellable operating lease agreements for area office space for its national and regional offices. Certain of these leases contain provisions for escalations in the minimum rent based on porters' wages or other expense increases. Future minimum rentals, including estimated escalation charges, at August 31, 2004 are approximately as follows:

Year ending August 31:	
2005	$ 1,728,000
2006	1,421,000
2007	1,129,000
2008	781,000
2009	327,000
Thereafter	50,000
	$ 5,436,000

Total rent expense for the years ended August 31, 2004 and 2003 was approximately $2,206,000 and $2,198,000, respectively.

9. Lease Commitments (continued)

NCCJ entered into a sublease agreement for the rental of its former office space, which was amended in fiscal 2003. NCCJ also entered into a sublease for a portion of its current space, which expires in January 2009. In connection with the consolidation of the Greater New York ("GNY") office with the national office, NCCJ also entered into a sublease for the former GNY office space which expires in October 2008. Total sublease income for the years ended August 31, 2004 and 2003 was approximately $254,000 and $297,000, respectively. At August 31, 2004, the aggregate future minimum rentals to be received under these noncancellable sublease agreements are approximately as follows:

Year ending August 31:	
2005	$ 322,000
2006	382,000
2007	390,000
2008	394,000
2009	282,000
Thereafter	78,000
	$1,848,000

10. Allocation of Joint Costs

The joint costs of NCCJ walk-a-thon events that contain an appeal for funds are allocated between various programs and fund-raising in accordance with the requirements of the AICPA's Statement of Position 98-2, *Accounting for the Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that Include Fund Raising.* Of the total joint costs of approximately $1,072,000 incurred in fiscal 2004, the amounts were allocated approximately as follows:

Youth and Emerging Leaders	$360,000
Fund-raising	243,000
Education Leaders	133,000
Economic Opportunity Leaders	122,000
Faith Leaders	85,000
Government Leaders	72,000
News Media and Advertising Leaders	57,000

11. Subsequent Event

Effective December 2004, the National Board of Directors approved the closure of ten regional offices. Management anticipates that all ten offices will be closed by February 2005 and estimates that the expenses associated with the closures, including severance payments and lease terminations, will be approximately $580,000.