

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016



**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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**TABLE OF CONTENTS**

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INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 21

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The United Jewish Community of Broward County, Inc.  
d/b/a Jewish Federation of Broward County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The United Jewish Community of Broward County, Inc. d/b/a Jewish Federation of Broward County (a Florida corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the 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; 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 auditor considers 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 The United Jewish Community of Broward County, Inc. d/b/a Jewish Federation of Broward County as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Monison, Brown, Ariziz & Fana*

Fort Lauderdale, Florida  
January 22, 2018

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

STATEMENTS OF FINANCIAL POSITION  
JUNE 30,

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents (including restricted cash of \$173,612 and \$180,853 for 2017 and 2016, respectively)	\$ 237,934	\$ 304,879
Pledges receivable, net	1,464,703	1,124,000
Due from estates, trusts and other	3,626,557	1,065,995
Investments	107,910,498	90,766,990
Trust assets managed by others	2,144,736	997,280
Property and equipment, net	13,114,238	13,776,935
Other assets	33,435	48,846
<b>TOTAL ASSETS</b>	<b>\$ 128,532,101</b>	<b>\$ 108,084,925</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 556,337	\$ 640,885
Line of credit	1,259,117	1,142,507
Allocations payable	3,247,892	2,523,963
Note payable	6,000,000	6,750,000
Trust assets held on behalf of agencies	10,765,543	8,291,655
Split-interest agreements	2,797,206	2,796,064
Agency funds	175,413	175,110
<b>TOTAL LIABILITIES</b>	<b>24,801,508</b>	<b>22,320,184</b>
<b>NET ASSETS</b>		
Unrestricted (including \$35,047,734 for 2017 and \$32,569,747 for 2016 of board-designated endowment funds)	59,046,552	53,586,882
Temporarily restricted	9,178,308	5,802,524
Permanently restricted	35,505,733	26,375,335
<b>TOTAL NET ASSETS</b>	<b>103,730,593</b>	<b>85,764,741</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 128,532,101</b>	<b>\$ 108,084,925</b>

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

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT:</b>								
Campaign contributions, net	\$ 3,406,113	\$ 750,411	\$ -	\$ 4,156,524	\$ 3,260,379	\$ 356,883	\$ -	\$ 3,617,262
Contributions from related party (NOTE 11)	322,575	-	-	322,575	7,242,491	-	-	7,242,491
Planned giving, other contributions and change in split-interest agreements	2,832,291	1,280,522	9,130,398	13,243,211	2,550,665	5,519	1,529,139	4,085,323
Program income	823,469	-	-	823,469	962,298	-	-	962,298
Other income including in-kind rental income	1,531,599	-	-	1,531,599	1,460,335	-	-	1,460,335
Net assets released from restrictions and reclassifications	2,602,934	(2,602,934)	-	-	1,943,816	(2,158,786)	214,970	-
<b>TOTAL REVENUE AND SUPPORT BEFORE INVESTMENT INCOME</b>	<b>11,518,981</b>	<b>(572,001)</b>	<b>9,130,398</b>	<b>20,077,378</b>	<b>17,419,984</b>	<b>(1,796,384)</b>	<b>1,744,109</b>	<b>17,367,709</b>
Investment income, net (NOTE 5)	6,449,013	3,947,785	-	10,396,798	681,423	64,392	-	745,815
<b>TOTAL REVENUE AND SUPPORT</b>	<b>17,967,994</b>	<b>3,375,784</b>	<b>9,130,398</b>	<b>30,474,176</b>	<b>18,101,407</b>	<b>(1,731,992)</b>	<b>1,744,109</b>	<b>18,113,524</b>
<b>ALLOCATIONS AND EXPENSES:</b>								
<b>ALLOCATIONS</b>								
Allocations to Jewish Federations of North America	687,221	-	-	687,221	710,902	-	-	710,902
Allocations made by Jewish Community Foundation	4,046,931	-	-	4,046,931	2,398,256	-	-	2,398,256
Allocations to local, state and national agencies including in-kind expense	3,892,383	-	-	3,892,383	4,240,707	-	-	4,240,707
<b>TOTAL ALLOCATIONS</b>	<b>8,626,535</b>	<b>-</b>	<b>-</b>	<b>8,626,535</b>	<b>7,349,865</b>	<b>-</b>	<b>-</b>	<b>7,349,865</b>
<b>EXPENSES</b>								
Program services	1,551,223	-	-	1,551,223	1,802,571	-	-	1,802,571
Fundraising	1,087,371	-	-	1,087,371	975,629	-	-	975,629
Management and general	1,243,195	-	-	1,243,195	1,051,612	-	-	1,051,612
<b>TOTAL EXPENSES</b>	<b>3,881,789</b>	<b>-</b>	<b>-</b>	<b>3,881,789</b>	<b>3,829,812</b>	<b>-</b>	<b>-</b>	<b>3,829,812</b>
<b>TOTAL ALLOCATIONS AND EXPENSES</b>	<b>12,508,324</b>	<b>-</b>	<b>-</b>	<b>12,508,324</b>	<b>11,179,677</b>	<b>-</b>	<b>-</b>	<b>11,179,677</b>
CHANGE IN NET ASSETS	5,459,670	3,375,784	9,130,398	17,965,852	6,921,730	(1,731,992)	1,744,109	6,933,847
NET ASSETS AT BEGINNING OF YEAR	53,586,882	5,802,524	26,375,335	85,764,741	46,665,152	7,534,516	24,631,226	78,830,894
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 59,046,552</b>	<b>\$ 9,178,308</b>	<b>\$ 35,505,733</b>	<b>\$103,730,593</b>	<b>\$ 53,586,882</b>	<b>\$ 5,802,524</b>	<b>\$ 26,375,335</b>	<b>\$ 85,764,741</b>

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

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 17,965,852	\$ 6,933,847
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	662,697	663,749
Net realized and unrealized (gains) loss on investments	(8,438,648)	2,965,947
Permanently restricted contributions	(9,130,398)	(1,529,139)
Bad debt expense	234,709	324,581
Change in split-interest agreements	195,479	(6,436)
(Increase) decrease in assets:		
Pledges receivable	(575,412)	230,199
Due from estates, trusts and other	163,529	(69,324)
Trust assets managed by others	(1,147,456)	(20,974)
Other assets	15,411	(22,822)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(84,548)	326,361
Allocations payable	723,929	99,236
Agency funds	303	4,407
<b>TOTAL ADJUSTMENTS</b>	<b>(17,380,405)</b>	<b>2,965,785</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>585,447</b>	<b>9,899,632</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	-	(4,430)
Net purchases of investments	(8,704,860)	(10,974,886)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(8,704,860)</b>	<b>(10,979,316)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Permanently restricted contributions	6,406,307	1,423,694
Payments on split-interest agreements	(194,337)	(236,438)
Trust assets held on behalf of agencies	2,473,888	338,501
Repayments on line of credit	(4,906,137)	(4,497,615)
Proceeds from line of credit	5,022,747	4,756,572
Repayments on note payable	(750,000)	(750,000)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>8,052,468</b>	<b>1,034,714</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(66,945)</b>	<b>(44,970)</b>
<b>CASH AND CASH EQUIVALENTS (including restricted cash) - BEGINNING OF YEAR</b>	<b>304,879</b>	<b>349,849</b>
<b>CASH AND CASH EQUIVALENTS (including restricted cash) - END OF YEAR</b>	<b>\$ 237,934</b>	<b>\$ 304,879</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	<b>\$ 133,964</b>	<b>\$ 116,236</b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION:</b>		
Assets and liability acquired through estate	<b>\$ -</b>	<b>\$ 1,999,872</b>

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

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Supporting Services</u>			<u>Program Services</u>	
	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	<u>Total Program Services</u>	<u>Total</u>
Salaries	\$ 712,906	\$ 753,223	\$ 1,466,129	\$ 705,676	\$ 2,171,805
Payroll taxes	46,083	49,625	95,708	48,454	144,162
Employee health and other benefits	56,076	77,592	133,668	64,284	197,952
Total salaries and related expenses	815,065	880,440	1,695,505	818,414	2,513,919
Accounting fees	-	41,000	41,000	-	41,000
Advertising	38,187	-	38,187	26,817	65,004
Auto/transportation expenses	11,481	9,627	21,108	1,392	22,500
Bank charges and credit card fees	52,109	8,982	61,091	-	61,091
Conferences	17,789	9,031	26,820	-	26,820
Consulting	11,374	17,963	29,337	12,876	42,213
Depreciation	8,296	107,649	115,945	2,102	118,047
Dinners and meetings	21,080	5,144	26,224	5,828	32,052
Insurance	-	30,196	30,196	7,308	37,504
Interest	-	16,245	16,245	-	16,245
Occupancy	53,311	52,733	106,044	64,736	170,780
Office service and equipment contracts	10,828	14,711	25,539	12,383	37,922
Office supplies and other	14,137	19,216	33,353	9,969	43,322
Postage	1,430	9,246	10,676	895	11,571
Printing	18,702	4,166	22,868	2,824	25,692
Professional fees	-	5,002	5,002	13,434	18,436
Community activities	1,528	-	1,528	567,584	569,112
Telephone	10,649	10,334	20,983	3,069	24,052
Other	1,405	1,510	2,915	1,592	4,507
Total functional expenses	<b>\$ 1,087,371</b>	<b>\$ 1,243,195</b>	<b>\$ 2,330,566</b>	<b>\$ 1,551,223</b>	<b>\$ 3,881,789</b>

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

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Supporting Services</u>			<u>Program Services</u>	<u>Total</u>
	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	<u>Total Program Services</u>	
Salaries	\$ 642,014	\$ 583,658	\$ 1,225,672	\$ 640,747	\$ 1,866,419
Payroll taxes	41,245	44,329	85,574	45,267	130,841
Employee health and other benefits	37,979	48,506	86,485	45,622	132,107
Total salaries and related expenses	721,238	676,493	1,397,731	731,636	2,129,367
Accounting fees	-	38,955	38,955	-	38,955
Advertising	23,354	-	23,354	2,332	25,686
Auto/transportation expenses	13,726	4,716	18,442	355	18,797
Bank charges and credit card fees	50,065	1,896	51,961	-	51,961
Conferences	14,188	5,169	19,357	-	19,357
Consulting	10,358	13,840	24,198	11,332	35,530
Depreciation	8,370	108,610	116,980	2,121	119,101
Dinners and meetings	17,699	13,628	31,327	3,943	35,270
Housing allowance	-	8,308	8,308	-	8,308
Insurance	-	43,524	43,524	4,660	48,184
Interest	-	11,001	11,001	-	11,001
Occupancy	42,100	48,744	90,844	48,111	138,955
Office service and equipment contracts	9,579	15,177	24,756	10,579	35,335
Office supplies and other	14,991	10,787	25,778	8,595	34,373
Postage	2,736	8,928	11,664	229	11,893
Printing	14,691	6,050	20,741	2,658	23,399
Professional fees	-	20,537	20,537	265,994	286,531
Community activities	13,212	-	13,212	705,819	719,031
Telephone	7,696	7,487	15,183	2,018	17,201
Other	11,626	7,762	19,388	2,189	21,577
Total functional expenses	<b>\$ 975,629</b>	<b>\$ 1,051,612</b>	<b>\$ 2,027,241</b>	<b>\$ 1,802,571</b>	<b>\$ 3,829,812</b>

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



**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Organization**

The United Jewish Community of Broward County, Inc. d/b/a Jewish Federation of Broward County (the "Federation") is a not-for-profit fundraising organization which provides financial support for the social, cultural and educational advancement of the Jewish community through local programs and by funding other not-for-profit beneficiary agencies locally, nationally and in Israel.

**Basis of Presentation**

The Federation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains and losses are classified based on the existence of donor-imposed or time restrictions as follows:

*Unrestricted Net Assets*

Net assets which are free of donor-imposed restrictions; all revenues, gains, and losses that are not changes in permanently or temporarily restricted net assets. A portion of these net assets may be designated by the Board of the Federation for future investment and are reflected on the Statements of Financial Position as unrestricted net assets.

*Temporarily Restricted Net Assets*

Net assets where the use by the Federation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Federation pursuant to those stipulations. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets.

*Permanently Restricted Net Assets*

Net assets where the use by the Federation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Federation. Generally, the donors of these assets permit the Federation to use all or part of the income earned on any related investments for general or specific purposes.

**Cash and Cash Equivalents**

The Federation considers all highly liquid investments held at financial institutions with a maturity of three months or less when purchased to be cash equivalents. This excludes all highly liquid investments held with investment custodians or advisors.

**Restricted Cash**

Restricted cash represents funds held for donor restricted purposes and for the benefit of other agencies.

**Pledges Receivable, Net**

Pledges, less a provision for estimated uncollectible amounts and unamortized discounts, are recorded as a receivable and revenue when pledges are made. The provision for uncollectible pledges is based, among other things, on the Federation's past collection experience and the impact of changes in current economic conditions and other pertinent factors. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Annual Campaigns**

For financial statement presentation purposes, public support is recorded on a June 30 fiscal year basis and matched against fiscal year allocations made to beneficiary agencies.

**Allocations and Donated Facilities**

Allocations represent financial support pledged by the Federation to other not-for-profit organizations or institutions. Total financial support available for allocations is based on the amount of public support received by the Federation after deducting support service expenses. The amounts allocated are approved by a majority of the Board of Directors and are recorded as liabilities of the Federation when awarded.

Additionally, assets were purchased and constructed for the Federation and for the benefit of the David Posnack Jewish Community Center ("DPJCC") and the David Posnack Jewish Day School ("DPJDS"). The agencies' respective share of depreciation and interest expense directly related to such assets and liabilities, incurred by the Federation, are classified as allocations to beneficiary agencies. The agencies' share of the debt, depreciation and interest expense did not reflect the fair value of the donated facilities provided. As such, the Federation recorded in-kind revenue and allocation expense to reflect the fair value of the donated use of facility.

Interest and depreciation recorded as allocation expense for the years ended June 30, 2017 and 2016 totaled approximately \$662,000 and \$650,000, respectively. Additionally, in-kind rental income and expense for donated facilities totaled approximately \$1,324,000 and \$1,337,000 for the years ended June 30, 2017 and 2016, respectively.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Federation that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

When a restriction expires, temporarily restricted net assets are transferred or released to unrestricted net assets. The Federation accounts for temporarily restricted contributions for which the restrictions are met in the same reporting period as they are received as unrestricted support.

The Federation receives contributions of cash or property from sources other than annual campaign contributions. Such donations are received under numerous types of arrangements which specify who is to manage the funds and who is to receive the funds upon the passage of time or other donor imposed restrictions. Funds received by the Federation for its general purposes are classified as unrestricted; all others are considered temporarily or permanently restricted.

Pledges determined to be uncollectible subsequent to the year in which such pledges are received are charged to the allowance. Pledges determined to be uncollectible during the year in which such pledges are received are shown as a reduction of contributions.

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Split-Interest Gifts**

The Federation is the trustee and remainder beneficiary of various charitable remainder trusts. Trust assets are stated at fair market value. Liabilities are recorded as split-interest agreements in the accompanying Statements of Financial Position and are determined using Internal Revenue Service actuarial assumptions, discounted using the applicable federal rate in effect at the date of the gift. In addition, certain contributions are received pursuant to trusts which name other agencies as the beneficiary in whole or in part and therefore, those amounts due to other agencies are recorded as "Agency funds" within the accompanying Statements of Financial Position. In some cases, trusts are created where the Federation is not the trustee, but is the ultimate beneficiary. The assets in these trusts are separately identified in the accompanying Statements of Financial Position as "Trust assets managed by others."

A contribution is recorded at the time of the gift as the difference between the fair value of the assets received and the liabilities incurred in the exchange portion of the agreement for these irrevocable transfers of assets.

Contribution revenue and the net changes in the value of these split-interest agreements amounted to an approximate income of \$47,000 and \$46,000 for the years ended June 30, 2017 and 2016, respectively, and are included in the accompanying Statements of Activities within the caption "Planned giving, other contributions and change in split- interest agreements."

The assets related to the split-interest agreements are included in the accompanying Statements of Financial Position within the caption "Investments" and totaled approximately \$1,389,000 and \$1,459,000 at June 30, 2017 and 2016, respectively. Additionally, certain assets are reflected as "Trust assets managed by others" and totaled approximately \$2,145,000 and \$997,000 at June 30, 2017 and 2016, respectively. The liabilities of the split-interest agreements, included in the accompanying Statements of Financial Position, totaled approximately \$2,797,000 and \$2,796,000 at June 30, 2017 and 2016, respectively.

**Functional Expenses**

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

**Investments**

The Federation follows the provision of an accounting standard which requires investments in marketable securities with readily determinable fair values and all investments in debt securities to be valued at their fair values in the Statements of Financial Position.

Realized and unrealized gains and losses on investments are reflected in the Statements of Activities within "Investment income, net." Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

As of June 30, 2017 and 2016, the Federation held various financial instruments. Regarding cash and cash equivalents, accounts receivable and accounts payable, the carrying value on the financial statements approximates fair value because of the short-term nature of these financial instruments. The fair value of the debt is not significantly different from the carrying value on the financial statements as the Federation can obtain similar debt for similar terms.

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Investments (Continued)**

The long-term pledges receivable and split-interest agreement liabilities have been discounted and approximate fair value. The carrying value of due from estates, trusts and other, trust assets managed by others, other assets, accounts payable and accrued expenses, line of credit, allocation payable, trust assets held on behalf of agencies and agency funds on the Statements of Financial Position approximates fair value.

**Property and Equipment, Net**

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and a gain or loss, if any, is recognized. Repairs and maintenance are charged to expense as incurred. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the assets for a specific purpose. Additionally, the Federation's land and building is reported as a temporarily restricted asset, inasmuch as the construction of those assets was funded by donors whose contributions were restricted for that purpose.

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

**Use of Estimates**

The accompanying financial statements have been prepared in conformity with U.S. GAAP. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Statements of Financial Position. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**Income Taxes**

The Federation is exempt from federal income taxes as an organization, as described in Section 501(c)(3) of the Internal Revenue Code. This exemption is subject to periodic review by the Internal Revenue Service. The Federation recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal and State of Florida jurisdictions are the major tax jurisdictions where the Federation files income tax returns. The Federation is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2014.

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Adopted Accounting Pronouncement**

Restricted Cash

In November 2016, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Federation has elected to early adopt the update as of June 30, 2017, as permitted.

**Recent Accounting Pronouncements**

Fair Value Measurement

In May 2015, the FASB issued an accounting standard update that removes the requirement to include investments in the fair value hierarchy for which fair value is measured at net asset value using the practical expedient. The update also changes certain disclosure requirements. The update is effective retrospectively for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. The Federation is currently evaluating the effect the update will have on its financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Federation is currently evaluating the effect the update will have on its financial statements.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Federation is currently evaluating the effect the update will have on its financial statements.

**Subsequent Events**

The Federation has evaluated subsequent events through January 22, 2018, which is the date the financial statements were available to be issued.

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**2. CONCENTRATION OF RISK**

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Financial instruments that potentially subject the Federation to concentrations of credit risk are cash and cash equivalents, contributions, pledges receivable and investments.

**Cash and Cash Equivalents**

At various times during the year, the Federation had deposits at financial institutions in excess of federally insured limits. The Federation maintains its cash with high quality financial institutions which, the Federation believes, limits these risks.

**Contributions and Pledges Receivable**

Management considers credit risk associated with pledges receivable to be low due to the diversity of the donors and the recurring nature of many donations.

**Investments**

Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment markets will impact the value of the portfolio.

Additionally, due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Federation's investment balances and the amounts reported in the Statements of Financial Position. The Federation utilizes an investment policy and a management oversight board, which periodically reviews its investment portfolios to monitor these risks.

**3. PLEDGES RECEIVABLE, NET**

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Pledges receivable pertaining to the general campaign represents commitments from donors to fund the ongoing operations of the Federation. Pledges, which are due within one year, are reported as assets at their net realizable value.

Pledges receivable, net are as follows at June 30:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 2,466,942	\$ 2,344,588
Allowance for estimated uncollectible pledges	<u>(1,002,239)</u>	<u>(1,220,588)</u>
	<u>\$ 1,464,703</u>	<u>\$ 1,124,000</u>

Bad debt expense on current year pledges totaled approximately \$235,000 and \$325,000 for the years ended June 30, 2017 and 2016, respectively and are netted against campaign contributions in the Statements of Activities.

**4. DUE FROM ESTATES, TRUSTS AND OTHER**

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The Federation was notified that it was named as a beneficiary in various Estates/Trusts. For the years ended June 30, 2017 and 2016, the Federation estimates that the value of its interest in these Estates/Trusts is approximately \$3,627,000 and \$1,066,000, respectively, and is included in the caption "Due from estates, trusts and other" in the Statements of Financial Position.

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**5. INVESTMENTS**

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Investments, at fair market value, are comprised of the following at June 30:

	<b>2017</b>	<b>2016</b>
Money market funds	\$ 6,995,487	\$ 2,532,041
Equity securities	808,265	821,745
Bonds	2,819,963	3,034,556
Mutual funds	82,702,934	68,060,935
State of Israel bonds	3,710,216	3,010,216
Alternative investments	10,873,633	13,307,497
Total investments	<b>\$ 107,910,498</b>	<b>\$ 90,766,990</b>

Investment income, net, from cash equivalents and investments is comprised of the following for the years ended June 30:

	<b>2017</b>	<b>2016</b>
Interest and dividends (including fees)	\$ 1,958,150	\$ 3,711,762
Net realized gain	1,050,305	1,014,646
Net unrealized gain (loss)	7,388,343	(3,980,593)
	<b>\$ 10,396,798</b>	<b>\$ 745,815</b>

Investment income is shown net of investment management fees of approximately \$403,000 and \$386,000 for the years ended June 30, 2017 and 2016, respectively. Certain investments have been invested on behalf of affiliated agencies (NOTE 10). These investments are reflected as "Investments" and "Trust assets held on behalf of agencies" in the Statements of Financial Position. As of June 30, 2017 and 2016, total investments of \$10,765,543 and \$8,291,655, respectively, are held in trust for affiliated agencies.

The majority of the Federation's financial assets are invested in publicly-traded equities and mutual funds that are listed on national exchanges, treasury and agency bonds of the United States of America and international governments, and investment grade corporate bonds for which active trading markets exist. Such assets are valued at quoted closing prices at year end.

Alternative strategies include investments in limited partnership and other funds where the Federation has the right to withdraw its investments (after the expiration of "lock-up" periods of one to two years) 65 or 90 days prior to the end of the calendar quarter. The underlying investments of the partnership funds are valued at fair value on a quarterly basis by the partnership. These are offshore funds located in the Cayman Islands and include investments in hedge funds. As part of the alternative strategy investment structure, initial capital commitments are required. The fair value of the alternative investments is determined by using the net asset value of the portfolio.

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**5. INVESTMENTS (CONTINUED)**

The Federation's investment in alternative investments consists of the following:

	<b>Alternative Investments</b>				
	Fair Value as of 6/30/2017	Fair Value as of 6/30/2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
SEI Core Property Fund, LP (a)	\$ 6,337,696	\$ 9,595,538	\$ -	Quarterly	65 days
SEI Structured Credit Master Fund (b)	4,358,128	3,518,402	-	Quarterly	65 days
UBS PACE Fund (c)	177,809	193,557	-	Not available	90 days
<b>Total</b>	<b>\$ 10,873,633</b>	<b>\$ 13,307,497</b>	<b>\$ -</b>		

The following is a summary of the investment strategies of the investments valued at net asset value:

- (a) The fund seeks both current income and long-term capital appreciation through investing in underlying funds that acquire, manage, and dispose of commercial real estate properties.
- (b) The fund seeks to generate high total returns. The fund pursues its investment objective by investing in a portfolio comprised of collateral debt obligations, which includes collateralized loan obligations and other structure credit investments.
- (c) The fund seeks long-term capital appreciation by investing in U.S. and international equity securities, fixed income securities not subject to any credit rating or maturity limitations, issued by companies, governments and supranational entities globally. The fund, which is non-diversified, may invest in emerging and developed markets and securities of other investment companies including exchange-traded funds.

**6. FAIR VALUE MEASUREMENTS**

The FASB established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Federation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.



**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Money market funds, equity securities and mutual funds consist of investments managed primarily by independent investment advisors with discretionary investment authority. Equity securities consist primarily of common stocks. These investments are valued at the closing price reported in the active market in which the individual securities are traded.

Bonds are managed primarily through investments held by independent investment advisors with discretionary investment authority. These securities include U.S. and non-U.S. debt instruments. These investments are valued at the closing price reported in the active market in which the individual securities are traded.

State of Israel bonds consist of individual bonds issued by the State of Israel. These securities are held to maturity. Because the Federation holds these instruments to maturity, the valuation on the financial statements is equal to the face value which approximates fair value.

Alternative investments are managed primarily through investments held by independent investment advisors. These investments include private capital limited partnerships and other securities. For SEI funds, partial withdrawals are paid in full, full liquidation requests are done with 90% payment at quarter end and the remaining 10% paid at year end with interest. The underlying investments of the SEI funds are valued at fair value on a quarterly basis. For PACE funds, the underlying investments are valued at closing price, daily net asset value or other suitable methods depending on the type of asset.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Federation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

The following table represents the Federation's investments that are measured at fair value on a recurring basis at June 30, 2017 for each of the fair value hierarchy levels:

Description	Fair Value	Fair Value Measurements at June 30, 2017		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Money market funds	\$ 6,995,487	\$ 6,995,487	\$ -	\$ -
Equity securities	808,265	808,265	-	-
Bonds	2,819,963	2,819,963	-	-
Mutual funds	82,702,934	82,702,934	-	-
State of Israel bonds	3,710,216	-	3,710,216	-
Alternative investments	10,873,633	-	-	10,873,633
	<b>\$ 107,910,498</b>	<b>\$ 93,326,649</b>	<b>\$ 3,710,216</b>	<b>\$ 10,873,633</b>

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table represents the Federation's investments that are measured at fair value on a recurring basis at June 30, 2016 for each of the fair value hierarchy levels:

Description	Fair Value	Fair Value Measurements at June 30, 2016		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Money market funds	\$ 2,532,041	\$ 2,532,041	\$ -	\$ -
Equity securities	821,745	821,745	-	-
Bonds	3,034,556	3,034,556	-	-
Mutual funds	68,060,935	68,060,935	-	-
State of Israel bonds	3,010,216	-	3,010,216	-
Alternative investments	13,307,497	-	-	13,307,497
	<b>\$ 90,766,990</b>	<b>\$ 74,449,277</b>	<b>\$ 3,010,216</b>	<b>\$ 13,307,497</b>

**Changes in fair value of Level 3 assets**

The following table sets forth a summary of changes in the fair value of the Federation's Level 3 assets for the years ended June 30:

	2017	2016
Balance, beginning of year	\$ 13,307,497	\$ 13,298,136
Purchases	-	205,546
Net appreciation in fair value	1,066,136	770,819
Withdrawals	(3,500,000)	(967,004)
Balance, end of year	<b>\$ 10,873,633</b>	<b>\$ 13,307,497</b>

**7. PROPERTY AND EQUIPMENT, NET**

Property and equipment, net is comprised of the following at June 30:

	2017	2016
Land and improvements	\$ 5,194,519	\$ 5,194,519
Buildings and equipment	20,928,765	20,928,765
Furniture and equipment	136,587	136,587
	26,259,871	26,259,871
Less accumulated depreciation	(13,145,633)	(12,482,936)
	<b>\$ 13,114,238</b>	<b>\$ 13,776,935</b>

Total depreciation expense for the years ended June 30, 2017 and 2016 was approximately \$663,000 and \$664,000, respectively. Depreciation expense related to the buildings and equipment at the DPJCC and the DPJDS was approximately \$545,000 for each of the years ended June 30, 2017 and 2016, and is included in Allocations to local, state and national agencies including in-kind expenses in the accompanying Statements of Activities. The remaining balance of approximately \$118,000 and \$119,000 is included under the caption "Depreciation" in the accompanying Statements of Functional Expenses for the years ended June 30, 2017 and 2016, respectively.

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**8. LINE OF CREDIT**

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The Federation entered into an agreement for a revolving line of credit with a financial institution. The line has a maximum borrowing limit of \$1,500,000 and expires on November 3, 2019. At June 30, 2017 and 2016, the amount due on the line was \$1,259,117 and \$1,142,507, respectively. Interest is payable at the 1 month LIBOR rate plus 100 basis points and was 2.55% and 1.19% as of June 30, 2017 and 2016, respectively. Interest expense under the line of credit for the years ended June 30, 2017 and 2016 was approximately \$16,000 and \$11,000, respectively.

**9. NOTE PAYABLE**

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In June 2013, the Federation entered into a long-term loan in the amount of \$9,000,000 from a financial institution. The note is an 84 month term loan, repayable in equal monthly principal payments of \$62,500 plus interest. The interest rate is variable using the 1 month LIBOR rate plus 1.15% and was 2.24% and 1.61% as of June 30, 2017 and 2016, respectively. On June 3, 2020, the then outstanding principal balance under the note, together with all accrued and unpaid interest thereon, is due and payable in full. There is a minimum liquidity requirement which specifies that the ratio of unrestricted and unencumbered liquid marketable securities to total outstanding bank debt shall not fall below 1.0:1.0. Additionally, the Federation may not pledge assets without the financial institution's consent. Management believes the Federation was in compliance with all covenants as of June 30, 2017 and 2016. Interest expense under the note for the years ended June 30, 2017 and 2016 was approximately \$118,000 and \$105,000, respectively.

Principal payments on the note payable for the years subsequent to June 30, 2017 are as follows:

2018		\$ 750,000
2019		750,000
2020		<u>4,500,000</u>
		<b><u>\$ 6,000,000</u></b>

**10. TRUST ASSETS HELD ON BEHALF OF AGENCIES**

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The Federation entered into an agreement with certain beneficiary agencies to hold assets of the agencies in the general investment accounts of the Federation and to provide the agencies with an annual return on these assets. All monies held at the Federation are recorded at their fair market values.

The agencies can request the release of these funds at any time. Accordingly, these amounts have been recorded as a liability of the Federation. It is the agencies' intention to not invade the corpus of these funds unless needed to fund operations and to only use the income generated for annual operating or program costs.

The Federation held the following amounts on behalf of beneficiary agencies at June 30:

	<b>2017</b>	<b>2016</b>
Friends of the March of the Living	\$ 2,227,478	\$ 2,082,012
Jewish Adoption and Foster Care Options	2,118,340	1,857,565
David Posnack Jewish Community Center	1,687,902	1,626,535
Jewish Family Service	1,558,357	62,759
Rose & Jack Orloff Central Agency for Jewish Education	1,289,766	1,225,936
Leo Martin Friends of the March of the Living	909,138	550,047
Temple Bat Yam	665,050	582,506
Daniel Cantor Senior Center	212,055	209,287
Brauser Maimonides Academy	51,733	50,934
Hebrew Free Loan Association	25,764	25,366
Temple Beth El	19,960	18,708
	<b><u>\$ 10,765,543</u></b>	<b><u>\$ 8,291,655</u></b>

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**11. RELATED PARTY CONTRIBUTION**

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The Federation sponsors South Broward Jewish Federation Housing, Inc., d/b/a Federation Plaza, a not-for-profit organization, which owned and operated a residential apartment complex for the elderly, regulated by the U.S. Department of Housing and Urban Development (“HUD”). Federation Plaza sold their HUD housing building on April 19, 2016 and the net proceeds from the sale of \$7,242,491 were contributed to the Federation. The Federation received an additional amount from the sale of approximately \$323,000 during the year ended June 30, 2017. The funds received from Federation Plaza have been reported in the Statements of Activities as “Contributions from related party.” The funds are unrestricted funds and, therefore, were designated by the Board of Directors as “Board-designated endowment funds.” On February 24, 2015, the Federation’s Board of Directors approved a motion to create a Special Purpose Fund with the net proceeds from the sale to be used for senior services in the name of Joseph Meyerhoff. The funds will be subjected to the Federation’s spending policy (NOTE 15).

**12. EMPLOYEE BENEFIT PLAN**

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The Federation provides retirement benefits to its employees through a 401(k) plan covering all full-time employees with one year of eligible experience. The Federation contributes up to 3% of gross wages. Contributions to the 401(k) plan during the years ended June 30, 2017 and 2016 were approximately \$58,000 and \$43,000, respectively.

**13. TEMPORARILY RESTRICTED NET ASSETS**

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Temporarily restricted net assets are restricted based on time and purpose restrictions. The time restrictions will be met when the contribution is received in the future. The purpose restrictions will be met when the net assets are used for specific programs or purposes.

Temporarily restricted net assets consist of the following at June 30:

	<b>2017</b>	<b>2016</b>
Special purpose funds and appreciation of endowment funds not appropriated	\$ 6,190,382	\$ 4,202,604
Split-interest agreements	2,431,567	1,328,829
Other	556,359	271,091
	<b>\$ 9,178,308</b>	<b>\$ 5,802,524</b>

**14. PERMANENTLY RESTRICTED NET ASSETS**

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Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support various designated purposes and is included in temporarily restricted net assets until spent.

Permanently restricted net assets consist of the following at June 30:

	<b>2017</b>	<b>2016</b>
Special purpose funds	\$ 34,658,733	\$ 25,035,003
Lion of Judah endowment funds	580,370	605,843
Annual contribution endowment funds	266,630	265,829
Other	-	468,660
	<b>\$ 35,505,733</b>	<b>\$ 26,375,335</b>

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**15. ENDOWMENT**

The Federation's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds, trusts held by others, and funds designated by the Federation to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Federation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Federation has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by the FUPMIFA.

The Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

For the years ended June 30, 2017 and 2016, the Federation has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

**Summary of Endowment Assets at June 30, 2017:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (20,948)	\$ 6,190,382	\$ 35,505,733	\$ 41,675,167
Board-designated endowment funds	35,047,734	-	-	35,047,734
Philanthropic and annual campaign endowment funds	17,296,178	-	-	17,296,178
Total endowment net assets	<b>\$ 52,322,964</b>	<b>\$ 6,190,382</b>	<b>\$ 35,505,733</b>	<b>\$ 94,019,079</b>

**Summary of Endowment Assets at June 30, 2016:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (168,277)	\$ 4,202,604	\$ 26,375,335	\$ 30,409,662
Board-designated endowment funds	32,569,747	-	-	32,569,747
Philanthropic and annual campaign endowment funds	16,325,649	-	-	16,325,649
Total endowment net assets	<b>\$ 48,727,119</b>	<b>\$ 4,202,604</b>	<b>\$ 26,375,335</b>	<b>\$ 79,305,058</b>

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**15. ENDOWMENT (CONTINUED)**

**Changes in endowment net assets for the year ended June 30, 2017:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ 48,727,119	\$ 4,202,604	\$ 26,375,335	\$ 79,305,058
Interest and dividends	1,440,970	620,965	-	2,061,935
Net investment income	4,927,359	3,326,820	-	8,254,179
Contributions	2,474,580	4,008	9,130,398	11,608,986
Released from restriction, expenditures and transfers	(5,247,064)	(1,964,015)	-	(7,211,079)
Endowment net assets, ending	<u>\$ 52,322,964</u>	<u>\$ 6,190,382</u>	<u>\$ 35,505,733</u>	<u>\$ 94,019,079</u>

**Changes in endowment net assets for the year ended June 30, 2016:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ 41,115,637	\$ 5,404,038	\$ 24,631,226	\$ 71,150,901
Interest and dividends	4,320,841	64,392	-	4,385,233
Net investment loss	(3,566,043)	-	-	(3,566,043)
Contributions	8,767,010	4,292	1,529,139	10,300,441
Released from restriction, expenditures and transfers	(1,910,326)	(1,270,118)	214,970	(2,965,474)
Endowment net assets, ending	<u>\$ 48,727,119</u>	<u>\$ 4,202,604</u>	<u>\$ 26,375,335</u>	<u>\$ 79,305,058</u>

**Permanently Restricted Net Assets:**

	<u>2017</u>	<u>2016</u>
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by FUPMIFA	<u>\$ 35,505,733</u>	<u>\$ 26,375,335</u>

**Summary of Endowment Assets:**

Endowment assets as of June 30 are invested as follows:

	<u>2017</u>	<u>2016</u>
Investments	\$ 92,023,388	\$ 79,178,840
Due from estates, trusts and other	1,995,691	126,218
	<u>\$ 94,019,079</u>	<u>\$ 79,305,058</u>

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

**15. ENDOWMENT (CONTINUED)**

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**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Federation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that existed at June 30, 2017 and 2016 was approximately \$21,000 and \$168,000, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriations for certain programs that were deemed prudent by the Federation. At June 30, 2017 and 2016, the fair market value of permanently restricted investments was approximately \$35,506,000 and \$26,375,000, respectively.

**Return Objectives and Risk Parameters**

The Federation 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 the Federation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Federation, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Federation expects its endowment funds, over time, to provide a rate of return in excess of the original permanently restricted principal. Actual returns in any given year may vary.

The Federation invests the endowment funds in its investment pool. Each year, the Federation credits the endowment funds based on a portfolio performance based structure, with the exception of certain Special Purpose Funds that will continue to receive 5% based on contractual obligations, and Annual Campaign Endowments ("ACE") and Lion of Judah Endowments ("LOJE") funds which will continue to receive 5%.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Federation 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). The Federation targets a diversified asset allocation that places emphasis on investments in equities and mutual funds to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

On Federation-held investments, the Federation employs a total return endowment spending policy that establishes the amount of endowment investment return that is available to support current needs and restricted purposes. The Federation has an endowment variable spending policy of up to 6.5% which provides for steady growth in annual spending. Any income earned in excess of the spending limit is reinvested while funds may be withdrawn from investment return earned in prior years if income is less than the spending policy provision. This is designed to insulate investment policy from budgetary pressures, and to insulate program spending from fluctuation in capital markets.

**16. COMMITMENT AND CONTINGENCIES**

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**Commitments**

On September 27, 2016, the Board of Directors approved a motion to grant the DPJDS a ground lease to construct a middle school on Federation's land, to sign a building permit related to the school, and to guarantee the loan related to construction of the new middle school building subject to certain conditions. On February 17, 2017, the Federation signed the commercial guarantee for the principal note amount of \$4,210,000.

**Litigation**

The Federation may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Federation's financial statements or results of operations.