

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016



**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jewish Federation of Palm Beach County, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Jewish Federation of Palm Beach County, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Jewish Federation of Palm Beach County, Inc. and Affiliates as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Merison, Brown, Ariziz & Fama

Boca Raton, Florida
December 13, 2017

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30,

| ASSETS | 2017 | 2016 |
|--|------------------------------|------------------------------|
| Cash and cash equivalents | \$ 8,693,046 | \$ 12,037,941 |
| Restricted cash | 609,697 | 2,816,028 |
| Investments | 99,356,955 | 93,678,696 |
| Annual campaign pledges receivable, net | 7,088,159 | 7,665,041 |
| Capital campaign pledges receivable, net | 4,295,217 | 2,223,826 |
| Prepaid expenses and other assets | 4,574,740 | 5,763,692 |
| Property and equipment, net | <u>35,170,590</u> | <u>25,438,244</u> |
| TOTAL ASSETS | <u>\$ 159,788,404</u> | <u>\$ 149,623,468</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and other accrued liabilities | \$ 926,190 | \$ 768,671 |
| Accounts payable related to construction | - | 500,460 |
| Line of credit | 2,826,596 | 2,826,596 |
| Allocations payable - The Jewish Federations of North America | 4,535,531 | 4,744,739 |
| Allocations payable - other beneficiary agencies | 4,140,243 | 4,494,879 |
| Designated campaign gifts payable | 606,269 | 281,540 |
| Split-interest agreements | 3,497,434 | 4,001,172 |
| Obligations to affiliated agencies for assets held in trust | 4,119,380 | 4,607,540 |
| Capital leases payable | 672,930 | 864,549 |
| Loan payable | <u>13,947,368</u> | <u>14,473,684</u> |
| TOTAL LIABILITIES | <u>35,271,941</u> | <u>37,563,830</u> |
| NET ASSETS | | |
| Unrestricted (including \$14,259,652 and \$13,391,994 of board designated funds at June 30, 2017 and 2016, respectively) | 81,126,980 | 66,859,028 |
| Temporarily restricted | 8,500,943 | 10,637,952 |
| Permanently restricted | <u>34,888,540</u> | <u>34,562,658</u> |
| TOTAL NET ASSETS | <u>124,516,463</u> | <u>112,059,638</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 159,788,404</u> | <u>\$ 149,623,468</u> |

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

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

| | 2017 | | | | 2016 | | | |
|---|-------------------|---------------------------|---------------------------|-------------------|-------------------|---------------------------|---------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| PUBLIC SUPPORT AND REVENUES | | | | | | | | |
| Public Support: | | | | | | | | |
| Annual campaign contributions, net | \$ 12,821,506 | \$ 616,810 | \$ - | \$ 13,438,316 | \$ 14,724,188 | \$ 238,391 | \$ - | \$ 14,962,579 |
| Capital campaign contributions, net | 6,061,905 | 263,578 | - | 6,325,483 | 31,231 | - | - | 31,231 |
| Net campaign contributions | 18,883,411 | 880,388 | - | 19,763,799 | 14,755,419 | 238,391 | - | 14,993,810 |
| Legacies, bequests and endowment funds including change in value of split-interest agreements | 5,804,263 | 44,589 | 325,882 | 6,174,734 | 5,521,076 | 4,477 | 844,037 | 6,369,590 |
| Net assets released from restrictions and reclassifications | 7,276,357 | (7,276,357) | - | - | 726,455 | (402,055) | (324,400) | - |
| TOTAL PUBLIC SUPPORT | 31,964,031 | (6,351,380) | 325,882 | 25,938,533 | 21,002,950 | (159,187) | 519,637 | 21,363,400 |
| Revenues: | | | | | | | | |
| Investment income (loss), net | 4,637,617 | 3,880,125 | - | 8,517,742 | (1,100,833) | (1,462,464) | - | (2,563,297) |
| Rental income | 433,042 | - | - | 433,042 | - | - | - | - |
| In-kind rental income | 2,293,211 | - | - | 2,293,211 | 2,291,653 | - | - | 2,291,653 |
| Program, event and other revenues | 1,928,002 | 334,246 | - | 2,262,248 | 1,668,418 | 16,032 | - | 1,684,450 |
| TOTAL REVENUES | 9,291,872 | 4,214,371 | - | 13,506,243 | 2,859,238 | (1,446,432) | - | 1,412,806 |
| TOTAL PUBLIC SUPPORT AND REVENUES | 41,255,903 | (2,137,009) | 325,882 | 39,444,776 | 23,862,188 | (1,605,619) | 519,637 | 22,776,206 |
| ALLOCATIONS AND DISTRIBUTIONS: | | | | | | | | |
| Jewish Federations of North America and overseas partners | 3,946,531 | - | - | 3,946,531 | 4,166,609 | - | - | 4,166,609 |
| Board approved allocations (including in-kind rent) | 5,999,842 | - | - | 5,999,842 | 6,320,931 | - | - | 6,320,931 |
| Tomorrow Today Campaign distributions to agencies | 20,425 | - | - | 20,425 | 20,425 | - | - | 20,425 |
| Planned giving and endowment distributions | 4,841,257 | - | - | 4,841,257 | 4,731,758 | - | - | 4,731,758 |
| TOTAL ALLOCATIONS AND DISTRIBUTIONS | 14,808,055 | - | - | 14,808,055 | 15,239,723 | - | - | 15,239,723 |

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

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30,

| | 2017 | | | | 2016 | | | |
|--|----------------------|---------------------------|---------------------------|-----------------------|----------------------|---------------------------|---------------------------|-----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| EXPENSES | | | | | | | | |
| Program services: | | | | | | | | |
| Campus Corporation Operations | \$ 1,996,990 | \$ - | \$ - | \$ 1,996,990 | \$ 1,815,439 | \$ - | \$ - | \$ 1,815,439 |
| North Campus Operations | 502,592 | - | - | 502,592 | 563,407 | - | - | 563,407 |
| Agency Services Marketing & Fundraising | 76,022 | - | - | 76,022 | - | - | - | - |
| Hood Road Campus | 866,515 | - | - | 866,515 | 832,017 | - | - | 832,017 |
| Chaplaincy | 7,929 | - | - | 7,929 | 18,863 | - | - | 18,863 |
| Community Relations | 327,505 | - | - | 327,505 | 333,761 | - | - | 333,761 |
| Missions | 394,550 | - | - | 394,550 | 36,337 | - | - | 36,337 |
| Mosaic | 149,330 | - | - | 149,330 | 134,721 | - | - | 134,721 |
| JCRC Literacy | 105,174 | - | - | 105,174 | 103,451 | - | - | 103,451 |
| Israel and Overseas | 517,164 | - | - | 517,164 | 421,500 | - | - | 421,500 |
| Mandel Center for Leadership | 450,522 | - | - | 450,522 | 354,263 | - | - | 354,263 |
| Jewish Community Foundation Programs | 155,481 | - | - | 155,481 | - | - | - | - |
| Jewish Teen Initiative | 351,874 | - | - | 351,874 | 578,143 | - | - | 578,143 |
| Jewish Volunteer Center | 85,083 | - | - | 85,083 | 8,190 | - | - | 8,190 |
| P2G Local Initiatives | 36,470 | - | - | 36,470 | 54,381 | - | - | 54,381 |
| Outreach | 516,175 | - | - | 516,175 | - | - | - | - |
| Young Adult Engagement | 169,539 | - | - | 169,539 | 239,838 | - | - | 239,838 |
| Synagogue Institute | 38,381 | - | - | 38,381 | 38,593 | - | - | 38,593 |
| Strategic Community Relations | 12,500 | - | - | 12,500 | - | - | - | - |
| Support Services: | | | | | | | | |
| Fundraising | 4,185,866 | - | - | 4,185,866 | 4,138,459 | - | - | 4,138,459 |
| Management and General | 1,234,234 | - | - | 1,234,234 | 1,216,933 | - | - | 1,216,933 |
| TOTAL EXPENSES | <u>12,179,896</u> | <u>-</u> | <u>-</u> | <u>12,179,896</u> | <u>10,888,296</u> | <u>-</u> | <u>-</u> | <u>10,888,296</u> |
| TOTAL ALLOCATIONS, DISTRIBUTIONS AND EXPENSES | <u>26,987,951</u> | <u>-</u> | <u>-</u> | <u>26,987,951</u> | <u>26,128,019</u> | <u>-</u> | <u>-</u> | <u>26,128,019</u> |
| CHANGE IN NET ASSETS | 14,267,952 | (2,137,009) | 325,882 | 12,456,825 | (2,265,831) | (1,605,619) | 519,637 | (3,351,813) |
| NET ASSETS - BEGINNING OF YEAR | <u>66,859,028</u> | <u>10,637,952</u> | <u>34,562,658</u> | <u>112,059,638</u> | <u>69,124,859</u> | <u>12,243,571</u> | <u>34,043,021</u> | <u>115,411,451</u> |
| NET ASSETS - END OF YEAR | <u>\$ 81,126,980</u> | <u>\$ 8,500,943</u> | <u>\$ 34,888,540</u> | <u>\$ 124,516,463</u> | <u>\$ 66,859,028</u> | <u>\$ 10,637,952</u> | <u>\$ 34,562,658</u> | <u>\$ 112,059,638</u> |

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

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

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

| | 2017 | 2016 |
|---|---------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 12,456,825 | \$ (3,351,813) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,519,612 | 1,174,975 |
| Provision for uncollectible pledges, net | 1,028,235 | 456,620 |
| Realized gains on investments | (1,197,360) | (288,427) |
| Unrealized (gains) losses on investments | (5,747,198) | 3,799,479 |
| Endowment contributions | (140,739) | (1,459,252) |
| Change in split-interest agreements | 239,728 | 419,696 |
| Capital campaign contributions | (6,825,379) | (31,231) |
| Decrease (increase) in operating assets: | | |
| Restricted cash | (319,491) | 25,012 |
| Pledges receivable, net | 248,543 | (1,562,092) |
| Prepaid expenses and other assets | 517,691 | (2,661,295) |
| (Decrease) increase in operating liabilities: | | |
| Accounts payable and other accrued liabilities | (342,941) | (213,254) |
| Allocations payable | (563,844) | (26,714) |
| Designated campaign gifts payable | 124,729 | (606,267) |
| TOTAL ADJUSTMENTS | (11,458,414) | (972,750) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 998,411 | (4,324,563) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Restricted cash for purchase of property and equipment | 2,525,822 | 106,055 |
| Proceeds from sale of investments, net | 1,266,299 | 3,630,493 |
| Purchases of property and equipment | (11,251,958) | (138,681) |
| NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES | (7,459,837) | 3,597,867 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal payments on capital lease obligations | (191,619) | (187,649) |
| Decrease in trust assets held on behalf of agencies | (488,160) | (912,656) |
| Repayments on loan payable | (526,316) | (518,921) |
| Borrowings from loan payable | - | 511,526 |
| Payments on split-interest obligations | (743,466) | (811,608) |
| Collections from capital campaign | 4,254,092 | 865,797 |
| Endowment contributions | 812,000 | 559,252 |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 3,116,531 | (494,259) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (3,344,895) | (1,220,955) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 12,037,941 | 13,258,896 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 8,693,046 | \$ 12,037,941 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | \$ 262,264 | \$ 240,989 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES: | | |
| Equipment acquired under capital lease | \$ - | \$ 133,776 |

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

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

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

| | Program Services | | | | | | | | | | | | | | | | | | | Support Services | | | Total Expenses | |
|---|-------------------------------|-------------------------|---|------------------|------------|---------------------|------------|------------|---------------|---------------------|------------------------------|--------------------------------------|------------------------|-------------------------|-----------------------|------------|------------------------|---------------------|-------------------------------|------------------------|--------------|----------------------|----------------|---------------------------|
| | Campus Corporation Operations | North Campus Operations | Agency Services Marketing & Fundraising | Hood Road Campus | Chaplaincy | Community Relations | Missions | Mosaic | JCRC Literacy | Israel and Overseas | Mandel Center for Leadership | Jewish Community Foundation Programs | Jewish Teen Initiative | Jewish Volunteer Center | P2G Local Initiatives | Outreach | Young Adult Engagement | Synagogue Institute | Strategic Community Relations | Total Program Services | Fundraising | Management & General | | Total Supporting Services |
| Salaries & Related Benefits | | | | | | | | | | | | | | | | | | | | | | | | |
| Salaries | \$ 260,150 | \$ 334,253 | \$ 51,718 | \$ - | \$ 3,291 | \$ 202,494 | \$ 26,904 | \$ 33,175 | \$ 68,975 | \$ 307,339 | \$ 271,039 | \$ 104,920 | \$ 185,756 | \$ 46,313 | \$ - | \$ 297,060 | \$ 78,752 | \$ - | \$ - | \$ 2,272,139 | \$ 2,446,133 | \$ 707,428 | \$ 3,153,561 | \$ 5,425,700 |
| Payroll taxes | 17,642 | 22,069 | 4,131 | - | 243 | 15,217 | 1,913 | 2,446 | 5,119 | 20,562 | 19,667 | 7,957 | 13,825 | 3,557 | - | 22,093 | 6,258 | - | - | 162,699 | 168,758 | 48,010 | 216,768 | 379,467 |
| Pension & health | 43,489 | 61,568 | 9,422 | - | 568 | 27,146 | 7,869 | 6,434 | 9,626 | 63,228 | 34,219 | 15,984 | 38,931 | 13,410 | - | 54,399 | 34,167 | - | - | 420,460 | 471,189 | 137,304 | 608,493 | 1,028,953 |
| Total Salaries & related benefits | 321,281 | 417,890 | 65,271 | - | 4,102 | 244,857 | 36,686 | 42,055 | 83,720 | 391,129 | 324,925 | 128,861 | 238,512 | 63,280 | - | 373,552 | 119,177 | - | - | 2,855,298 | 3,086,080 | 892,742 | 3,978,822 | 6,834,120 |
| Operating Expenses | | | | | | | | | | | | | | | | | | | | | | | | |
| Conferences, meetings & public relations | 6,417 | 5,395 | - | - | 494 | 41,414 | 348,350 | 100,406 | 2,130 | 58,470 | 43,692 | 11,499 | 57,615 | 8,991 | 26,616 | 68,360 | 31,983 | 2,259 | 12,500 | 826,591 | 438,156 | 33,119 | 471,275 | 1,297,866 |
| Office supplies, printing & postage | 17,004 | 7,883 | 2,613 | - | 112 | 4,571 | 1,969 | 933 | 2,242 | 7,499 | 7,553 | 2,223 | 7,792 | 2,904 | 4,735 | 36,384 | 3,706 | 59 | - | 110,182 | 154,632 | 43,450 | 198,082 | 308,264 |
| Occupancy | 283,654 | 2,710 | - | - | 39 | 8,783 | 2,681 | 308 | 771 | 14,856 | 1,510 | 636 | 1,799 | 514 | - | 1,828 | 707 | - | - | 320,796 | 79,199 | 22,259 | 101,458 | 422,254 |
| Security | 231,100 | 2,104 | - | - | 30 | 1,590 | 206 | 239 | 598 | 1,855 | 1,532 | 494 | 1,880 | 771 | 184 | 3,610 | 549 | - | - | 246,742 | 21,383 | 11,465 | 32,848 | 279,590 |
| Insurance | 237,795 | 12,921 | - | - | 30 | 1,189 | 205 | 239 | 597 | 1,851 | 1,169 | 493 | 1,393 | 398 | - | 1,415 | 547 | - | - | 260,242 | 18,473 | 11,439 | 29,912 | 290,154 |
| Repairs & maintenance | 219,220 | 7,416 | - | - | 105 | 4,251 | 725 | 844 | 2,109 | 6,621 | 4,130 | 1,740 | 4,952 | 1,663 | - | 5,201 | 1,934 | - | - | 260,911 | 65,270 | 40,415 | 105,685 | 366,596 |
| Telephone | 9,430 | 14,165 | - | - | 28 | 1,099 | 399 | 582 | 1,482 | 5,136 | 1,601 | 334 | 2,200 | 366 | 81 | 2,949 | 1,120 | - | - | 40,972 | 24,831 | 9,980 | 34,811 | 75,783 |
| Transportation | 3,008 | 711 | - | - | 10 | 2,043 | 112 | 289 | 2,936 | 2,020 | 1,475 | 315 | 9,589 | 395 | 4,854 | 1,863 | 1,795 | 63 | - | 31,478 | 13,778 | 4,479 | 18,257 | 49,735 |
| Staffing & employees relocation | 2,125 | 2,808 | - | - | 40 | 1,591 | 275 | 320 | 799 | 2,476 | 1,564 | 659 | 1,864 | 533 | - | 1,894 | 732 | - | - | 17,680 | 24,717 | 15,305 | 40,022 | 57,702 |
| Professional fees | 35,473 | 8,278 | 8,138 | - | 2,653 | 4,123 | 712 | 828 | 2,070 | 6,417 | 26,392 | 3,508 | 9,930 | 1,380 | - | 5,557 | 2,046 | 36,000 | - | 153,505 | 70,312 | 39,659 | 109,971 | 263,476 |
| Interest | 11,236 | 1,129 | - | 228,417 | 16 | 640 | 374 | 128 | 321 | 996 | 629 | 265 | 750 | 214 | - | 762 | 294 | - | - | 246,171 | 9,939 | 6,154 | 16,093 | 262,264 |
| Miscellaneous | 92,983 | 1,292 | - | - | 16 | 1,220 | 107 | 124 | 311 | 2,064 | 24,385 | 256 | 1,725 | 282 | - | 736 | 285 | - | - | 125,786 | 20,417 | 6,277 | 26,694 | 152,480 |
| Total operating expenses | 1,149,445 | 66,812 | 10,751 | 228,417 | 3,573 | 72,514 | 356,115 | 105,240 | 16,366 | 110,261 | 115,632 | 22,422 | 101,489 | 18,411 | 36,470 | 130,559 | 45,698 | 38,381 | 12,500 | 2,641,056 | 941,107 | 244,001 | 1,185,108 | 3,826,164 |
| Total expenses before depreciation and amortization | 1,470,726 | 484,702 | 76,022 | 228,417 | 7,675 | 317,371 | 392,801 | 147,295 | 100,086 | 501,390 | 440,557 | 151,283 | 340,001 | 81,691 | 36,470 | 504,111 | 164,875 | 38,381 | 12,500 | 5,496,354 | 4,027,187 | 1,136,743 | 5,163,930 | 10,660,284 |
| Depreciation and amortization | 526,264 | 17,890 | - | 638,098 | 254 | 10,134 | 1,749 | 2,035 | 5,088 | 15,774 | 9,965 | 4,198 | 11,873 | 3,392 | - | 12,064 | 4,664 | - | - | 1,263,442 | 158,679 | 97,491 | 256,170 | 1,519,612 |
| Total expenses | \$ 1,996,990 | \$ 502,592 | \$ 76,022 | \$ 866,515 | \$ 7,929 | \$ 327,505 | \$ 394,550 | \$ 149,330 | \$ 105,174 | \$ 517,164 | \$ 450,522 | \$ 155,481 | \$ 351,874 | \$ 85,083 | \$ 36,470 | \$ 516,175 | \$ 169,539 | \$ 38,381 | \$ 12,500 | \$ 6,759,796 | \$ 4,185,866 | \$ 1,234,234 | \$ 5,420,100 | \$ 12,179,896 |

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

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

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

| | Program Services | | | | | | | | | | | | | | Support Services | | | | Total Expenses | |
|---|-------------------------------|-------------------------|------------------|------------|---------------------|-----------|------------|---------------|---------------------|------------------------------|------------------------|-------------------------|-----------------------|------------------------|---------------------|------------------------|-------------------|----------------------|----------------|------------------------|
| | Campus Corporation Operations | North Campus Operations | Hood Road Campus | Chaplaincy | Community Relations | Missions | Mosaic | JCRC Literacy | Israel and Overseas | Mandel Center for Leadership | Jewish Teen Initiative | Jewish Volunteer Center | P2G Local Initiatives | Young Adult Engagement | Synagogue Institute | Total Program Services | Fundraising Total | Management & General | | Total Support Services |
| Salaries & Related Benefits | | | | | | | | | | | | | | | | | | | | |
| Salaries | \$ 328,015 | \$ 362,758 | \$ - | \$ 10,091 | \$ 222,823 | \$ 24,044 | \$ 33,397 | \$ 70,399 | \$ 251,352 | \$ 264,675 | \$ 249,972 | \$ - | \$ - | \$ 112,507 | \$ - | \$ 1,930,033 | \$ 2,373,876 | \$ 703,130 | \$ 3,077,006 | \$ 5,007,039 |
| Payroll taxes | 23,691 | 27,793 | - | 807 | 17,277 | 1,722 | 2,486 | 5,490 | 19,144 | 13,995 | 19,721 | - | - | 8,419 | - | 140,545 | 178,571 | 51,320 | 229,891 | 370,436 |
| Pension & health | 58,549 | 87,206 | - | 2,138 | 31,247 | 4,622 | 8,357 | 10,060 | 46,133 | 38,682 | 35,397 | - | - | 25,045 | - | 347,436 | 419,722 | 145,076 | 564,798 | 912,234 |
| Total Salaries & related benefits | 410,255 | 477,757 | - | 13,036 | 271,347 | 30,388 | 44,240 | 85,949 | 316,629 | 317,352 | 305,090 | - | - | 145,971 | - | 2,418,014 | 2,972,169 | 899,526 | 3,871,695 | 6,289,709 |
| Operating Expenses | | | | | | | | | | | | | | | | | | | | |
| Conferences, meetings & public relations | 4,490 | 7,019 | - | 4,162 | 28,548 | 412 | 87,264 | 1,901 | 56,680 | 8,168 | 189,654 | 5,726 | 44,662 | 36,661 | 2,549 | 477,896 | 517,439 | 35,762 | 553,201 | 1,031,097 |
| Office supplies, printing & postage | 10,629 | 10,724 | - | 364 | 6,696 | 776 | 611 | 2,523 | 7,149 | 2,949 | 11,970 | 1,882 | 3,465 | 8,236 | - | 67,974 | 203,373 | 55,176 | 258,549 | 326,523 |
| Occupancy | 140,473 | 3,506 | - | 118 | 8,755 | 2,567 | 197 | 790 | 14,020 | 949 | 2,909 | - | - | 647 | - | 174,931 | 80,413 | 22,825 | 103,238 | 278,169 |
| Security | 198,417 | 2,767 | - | 93 | 2,088 | 156 | 156 | 623 | 1,630 | 749 | 2,430 | 176 | 1,482 | 511 | - | 211,278 | 24,360 | 11,900 | 36,260 | 247,538 |
| Insurance | 164,622 | 15,289 | - | 88 | 1,222 | 146 | 147 | 586 | 1,535 | 705 | 2,155 | - | - | 481 | - | 186,976 | 18,536 | 11,201 | 29,737 | 216,713 |
| Repairs & maintenance | 282,195 | 9,328 | - | 315 | 4,377 | 524 | 526 | 2,101 | 6,468 | 2,526 | 7,721 | 297 | - | 1,722 | - | 318,100 | 66,823 | 40,127 | 106,950 | 425,050 |
| Telephone | 5,322 | 17,554 | - | 87 | 1,401 | 273 | 414 | 1,501 | 3,735 | 1,248 | 5,755 | - | 124 | 1,141 | - | 38,555 | 24,807 | 9,277 | 34,084 | 72,639 |
| Transportation | 3,168 | 664 | - | 22 | 1,081 | 135 | 203 | 3,625 | 2,836 | 649 | 7,224 | 109 | 4,623 | 2,309 | 44 | 26,692 | 16,139 | 3,913 | 20,052 | 46,744 |
| Staffing & employees relocation | 1,619 | 2,557 | - | 86 | 1,200 | 144 | 145 | 576 | 1,507 | 693 | 2,117 | - | - | 472 | - | 11,116 | 18,205 | 11,002 | 29,207 | 40,323 |
| Professional fees | 42,193 | 12,660 | - | 377 | 5,437 | 627 | 628 | 2,514 | 6,867 | 3,022 | 38,111 | - | 25 | 41,060 | 36,000 | 189,521 | 162,038 | 100,339 | 262,377 | 451,898 |
| Interest | 18,941 | 1,298 | 202,392 | 44 | 609 | 73 | 73 | 292 | 766 | 353 | 1,082 | - | - | 241 | - | 226,164 | 9,241 | 5,584 | 14,825 | 240,989 |
| Miscellaneous | 3,667 | 1,315 | - | 38 | 545 | 62 | 62 | 252 | 1,107 | 14,637 | 1,123 | - | - | 207 | - | 23,015 | 18,016 | 4,898 | 22,914 | 45,929 |
| Total operating expenses | 875,736 | 84,681 | 202,392 | 5,794 | 61,959 | 5,895 | 90,426 | 17,284 | 104,300 | 36,648 | 272,251 | 8,190 | 54,381 | 93,688 | 38,593 | 1,952,218 | 1,159,390 | 312,004 | 1,471,394 | 3,423,612 |
| Total expenses before depreciation and amortization | 1,285,991 | 562,438 | 202,392 | 18,830 | 333,306 | 36,283 | 134,666 | 103,233 | 420,929 | 354,000 | 577,341 | 8,190 | 54,381 | 239,659 | 38,593 | 4,370,232 | 4,131,559 | 1,211,530 | 5,343,089 | 9,713,321 |
| Depreciation and amortization | 529,448 | 969 | 629,625 | 33 | 455 | 54 | 55 | 218 | 571 | 263 | 802 | - | - | 179 | - | 1,162,672 | 6,900 | 5,403 | 12,303 | 1,174,975 |
| Total expenses | \$ 1,815,439 | \$ 563,407 | \$ 832,017 | \$ 18,863 | \$ 333,761 | \$ 36,337 | \$ 134,721 | \$ 103,451 | \$ 421,500 | \$ 354,263 | \$ 578,143 | \$ 8,190 | \$ 54,381 | \$ 239,838 | \$ 38,593 | \$ 5,532,904 | \$ 4,138,459 | \$ 1,216,933 | \$ 5,355,392 | \$ 10,888,296 |

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

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Jewish Federation of Palm Beach County, Inc. and its Affiliates, the Palm Beach Jewish Community Campus Corporation, Inc. ("Campus Corporation") and North Palm Beach County Jewish Community Campus Corporation (the "North Campus") (collectively the "Federation"), which are under common control. All intercompany accounts and transactions have been eliminated in the consolidation.

Purpose

The Jewish Federation of Palm Beach County, Inc. was incorporated in 1962 as a not-for-profit organization under the laws of the State of Florida to support Jewish social service, cultural and educational programs through its fundraising efforts. These fundraising activities provide financial support to numerous not-for-profit beneficiary agencies. In addition, the Jewish Federation of Palm Beach County, Inc. is a Section 509(a)(1) organization, as defined in the Internal Revenue Code ("IRC"), and is, therefore, not a private foundation and qualifies for the maximum charitable deduction for a donor.

The Campus Corporation was incorporated in 1986 as a not-for-profit organization under the laws of the State of Florida to own property used for the purpose of providing educational, cultural, recreational and social service programming for the local community.

The North Campus Corporation was incorporated in 2012 as a not-for-profit organization under the laws of the State of Florida to own property used for the purpose of providing educational, cultural, recreational and social service programming for the local community.

In addition to providing financial support to outside agencies, the Federation also provides program services for which the purpose and outcomes are described by management as follows:

Campus Corporation Administration and Operations

The Campus Corporation Administration and Operations program owns and maintains the real estate and facilities that are provided to affiliated and non-affiliated agencies in order to run their specific programs. The Campus Corporation houses and supports the following organizations: Jack, Joseph and Morton Mandel Building (the "Jewish Federation"), the Commission for Jewish Education ("CJE"), the Arthur I. Meyer Jewish Academy ("Academy"), and the Mandel Jewish Community Center of the Palm Beaches, Inc. ("Mandel JCC"). In the future, the Campus Corporation may own and maintain the property in West Palm Beach and/or Palm Beach Gardens which are now owned by the Jewish Federation of Palm Beach County, Inc.

North Campus Administration and Operations

The North Campus Administration and Operations program provides support services for information technology for CJE, the Academy and the Mandel JCC.

Agency Services Marketing and Fundraising

The Agency Services Marketing and Fundraising program provides support services for marketing and fundraising for the Academy.

Hood Road Campus

The Hood Road Campus program maintains the real estate and facilities owned by the Federation in Palm Beach Gardens, which includes land as well as the building for the Academy.

Chaplaincy

The Chaplaincy program provides chaplaincy services for those who are not affiliated with a synagogue.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purpose (Continued)

Community Relations

The Community Relations program advocates for Israel and world Jewry, educates the community on issues of concern to the Jewish community, and builds relations with other religious, ethnic, and civic groups.

Missions

The Missions program develops, coordinates and facilitates immersive content-rich travel experiences that highlight the breadth and depth of projects and programs that the Federation supports in Israel, the former Soviet Union and other countries.

Mosaic

The Mosaic program produces the television show Mosaic, which can be seen on Sunday mornings on the local NBC affiliate. This program consists of informational interviews related to local, national and international Jewish issues and their impact on the local Jewish community.

JCRC Literacy

The JCRC Literacy program recruits, trains, and places reading partners in 61 public elementary schools for the purpose of helping students improve their reading skills. The literacy coordinator works with the principals and teachers in assessing the needs of the students and in assigning a reading partner to each child for the school year. This program includes "book give-aways" and assists over 3,500 students throughout the year with the help of 300 volunteers. Additionally, a summer school program has been in place for the last nine years.

Israel and Overseas

The Israel & Overseas Department of the Federation oversees and evaluates a comprehensive spectrum of partnership programs that directly impact and benefit the lives of thousands of Jews throughout the world. Specifically, the Federation provides funding, oversight and direct involvement in the following partnerships: in the TZAHAR (Tzfat, Hatzor and Rosh Pina) region in Israel through programs focusing on economic development, education, and assistance for at-risk youth (Youth Futures); in the city of Ramla, Israel through PACT (Parents and Children Together) and ENP (Ethiopian National Project) offering after-school enrichment programs; and in St. Petersburg, Russia through an array of welfare and Jewish renewal initiatives. Also, the volunteer shaliach's (emissary from Israel) goal is to work throughout the local community in a variety of settings and with all age groups to provide opportunities for community members to strengthen their connection to Israel and embed their sense of belonging to the people of Israel.

Mandel Center for Leadership

The Mandel Center for Leadership recruits, retains, evaluates, and develops qualified persons who serve as professional staff and volunteer leaders. It defines, then facilitates, the Federation as a great place to work or volunteer.

Jewish Community Foundation Programs

The programming of the Jewish Community Foundation is to perpetuate permanent financial support to sustain a vibrant Jewish community locally, in Israel and throughout the world. This is accomplished through meaningful partnerships with donor, Jewish community organizations and synagogues. The program also provides continuing education programs for local business professionals relating to the not-for-profit sector.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purpose (Continued)

Jewish Teen Initiative (“JTI”)

JTI leads the teen engagement efforts for the Jewish Federation to build a strong foundation of Jewish experiences for teens that lead to a lifetime of connection to Judaism, the State of Israel, and the Jewish people. JTI employs strategies that allow teens the most meaningful experiences that are immersive, collaborative, and devoted to serving others and designed by teens themselves. JTI connects teens to a community ecosystem with a diverse network of programming for local teens to connect to the Jewish community through efforts that are multifaceted and ongoing—from middle school through high school— allowing teens to build on activity after activity, shaping unique, lifelong Jewish identities.

Jewish Volunteer Center

The Jewish Volunteer Center is the center for Jewish community engagement through volunteerism. It demonstrates the Federation’s role as a community builder committed to Tikkun Olam, making a difference in the world. It identifies, cultivates and develops a network of people and opportunities that provide volunteer experiences both in and beyond the Jewish community. The volunteer center convenes and strengthens relationships with partner agencies, synagogues and other organizations. It connects individuals, families, and groups with meaningful volunteer opportunities.

P2G Local Initiatives

The P2G Local Initiatives program supports the underpinning values for the P2G international partnership program, creating dynamic relationships between Jewish communities in different parts of the world. P2G local initiatives build ongoing connections between individuals, committees and professional staff partners. On an annual basis, the Federation receives three to four delegations that stay in the Palm Beaches to learn about the community, strengthen their Jewish identities and gain skills to assist in the development and enhancement of their respective communities in Israel and/or Russia. It also provides for program costs incurred during visits and local educational campaigns designed to raise awareness about Jewish peoplehood, Israel, and Federation-funded initiatives.

Outreach

The Outreach program serves as the education and engagement arm of the Financial Resource Development department by offering programs and events that highlight the Federation’s mission. Fundraising is not part of these programs; rather the goal is share the reasons why it is important to be involved with Federation.

Young Adult Engagement

The Young Adult Engagement program focuses on cultivation and philanthropic journeys of young adults ages 22-45. Through a variety of programs, including but not limited to, volunteer opportunities, social outings, immersive experiences and fundraising events, the department’s end goal is to ensure the future of Jewish leadership in the Palm Beaches.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purpose (Continued)

Synagogue Institute ("SI")

The SI program strengthens synagogues as gateway institutions of Jewish life and deepens the level of engagement between community synagogues and Federation. This is achieved by supporting the development of synagogues' efforts to engage and stimulate local Jewish life; committing to collaborations that will result in building capacity with synagogue organizations; supporting new standards of synagogue life that will renew and sustain congregations for future generations. SI is dedicated to partnering with synagogues to advance their ability to connect with people, creating opportunities for community members to experience the sense of belonging, meaning and purpose that participation in synagogue life brings.

Strategic Community Relations

The Strategic Community Relations program creates strategic partnerships with other not-for-profit organizations whose mission aligns with the mission of the Jewish Federation.

Basis of Accounting

The Federation prepares its consolidated 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 that are free of donor-imposed or time restrictions. It includes the Federation's investment in property and equipment and amounts designated by the Federation for support of operations, programs and expansion. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted. This category includes all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

Unrestricted Board Designated - The part of unrestricted net assets of the Federation resulting from contributions whose use by the Federation is not limited by donor-imposed stipulations. The Federation has internally earmarked such funds.

Temporarily Restricted - Net assets whose use by the Federation is limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or removed by actions of the Federation pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions and reclassifications.

Permanently Restricted - Net assets whose 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.

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 capital improvements.

Annual Campaigns

Public support is recorded on a June 30 fiscal year basis and matched against fiscal year allocations made to beneficiary agencies.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Campaigns

Cash and pledges receivable (NOTE 4) pertaining to the capital campaign fund include unrestricted and temporarily restricted commitments from various individuals to fund the construction of a school in Palm Beach Gardens for the Academy and a new headquarters for the Federation, which will include space for CJE. The temporarily restricted amounts are considered to expire once the funds are used for construction or capital campaign related expenses are incurred.

Contributions and Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Federation that is, in substance, unconditional. 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 during the year in which such pledges are received are shown as a reduction of contributions. Pledges determined to be uncollectible subsequent to the year in which such pledges are received are charged to the allowance for uncollectible pledges. The allowance for uncollectible pledges is based on the Federation's historical pledge collection experience and management's evaluation of 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.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are discounted using a market rate of return and are recorded at net present value. Unconditional promises to give are recognized as revenues or gains in the period received and as assets. Conditional promises to give are recognized as revenue in the period the conditions on which they depend are substantially met.

Investments and Fair Value Measurements

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Consolidated Statements of Financial Position. Realized and unrealized gains (losses) on investments are reflected in the Consolidated Statements of Activities within "Investment income (loss) income, net." Investment income (loss) that is limited to specific uses by donor restrictions is reported as increases (decreases) in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular instruments. Changes in assumptions or in market conditions could significantly affect the estimates. The carrying amount of all financial assets and liabilities approximates fair value.

Property and Equipment, Net

Property and equipment are recorded at cost at the date of purchase or, if contributed, the fair value at the date of donation. The Federation capitalizes expenditures for property and equipment in excess of \$1,000. Depreciation and amortization is computed on the straight-line method over the estimated useful life of the assets. Construction in progress is depreciated once the work is complete and placed into service.

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 in the Federation's climate, indicate that they may be impaired. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets are adjusted to reflect such impairment based on the fair value of the impaired assets or an estimate of fair value based on discounted cash flows.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split-Interest Agreements

The Federation is the trustee and remainder beneficiary of various charitable remainder trusts and charitable gift annuity agreements. Trust assets are stated at fair market value. Split-interest agreement liabilities are determined using Internal Revenue Service actuarial assumptions, discounted using the applicable federal rate in effect at the date of the gift.

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. The net changes in the value of these split-interest agreements amounted to gains (losses) of \$53,900 and \$(103,425) for the years ended June 30, 2017 and 2016, respectively, and are included within the caption "Legacies, bequests and endowment funds including change in value of split-interest agreements" on the Consolidated Statements of Activities.

The assets related to the split-interest agreements, included in investments, amount to approximately \$5,980,000 and \$6,201,000 at June 30, 2017 and 2016, respectively. The liabilities of the split-interest agreements are approximately \$3,497,000 and \$4,001,000 at June 30, 2017 and 2016, respectively. Increases and decreases in the present value obligation are presented in the accompanying Consolidated Statements of Activities under public support as "Legacies, bequests and endowment funds including change in value of split-interest agreements."

Contributed Services

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

In-Kind Rental Income

The Federation contributes the use of facilities, certain utilities, and common area maintenance to its beneficiary agencies. The Federation records in-kind transactions at fair value as rental income and corresponding board approved allocation expense in the Consolidated Statements of Activities.

Functional Expenses

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

Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of public support and revenues and allocations, distributions and expenses during the reporting period. Actual results could differ from these estimates.

Income Taxes

The Federation is a nonprofit corporation whose revenue is derived from contributions and other fundraising activities. The Federation is exempt from federal income taxes under Section 501(c)(3) of the IRC and sales and use tax under the laws of the State of Florida. During the years ended June 30, 2017 and 2016, the Federation generated net unrelated business losses from certain alternative investments. No provisions for Federal or State income taxes were recorded as the amounts are immaterial to these consolidated financial statements.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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 jurisdiction and Florida 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 fiscal years before 2014.

Concentrations of Credit and Market Risk

Financial instruments which potentially subject the Federation to concentrations of credit and market risk consist primarily of cash and cash equivalents, pledges and investments. The Federation maintains cash balances at several financial institutions in South Florida. Accounts in each institution are insured by the Federal Deposit Insurance Corporation in accordance with current regulations, which provides for insurance up to \$250,000. Cash equivalents are maintained at high-quality financial institutions. The Federation has not experienced any losses on its cash and cash equivalents.

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 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 market will impact the value of the portfolio. The Federation's investments in Level 3 Private Equity, Hedge Fund Limited Partnerships and Real Asset Funds (NOTES 2 and 3) comprise approximately 26% and 31% of total investments at June 30, 2017 and 2016, respectively. The Federation has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks.

Recent Accounting Pronouncements

Fair Value Measurement

In May 2015, the Financial Accounting Standards Board ("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. Early application is permitted. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued an accounting standard update which seeks to enhance the recognition, measurement, presentation and disclosure requirements of financial instruments. The update is effective for fiscal years beginning after December 15, 2018 and for interim periods within fiscal years beginning after December 15, 2019 with early adoption permitted for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The Federation is currently evaluating the effect the update will have on its consolidated 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 consolidated 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 consolidated financial statements.

Classification of Restricted Cash

In November 2016, the 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 is currently evaluating the effect the update will have on its consolidated financial statements.

Subsequent Events

The Federation has evaluated subsequent events through December 13, 2017, which is the date the consolidated financial statements were available to be issued.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. INVESTMENTS

Investments, at fair value, consist of the following at June 30:

| | <u>2017</u> | <u>2016</u> |
|---------------------------------|----------------------|----------------------|
| Money market mutual funds | \$ 3,107,705 | \$ 5,072,917 |
| Bond mutual funds | 16,384,645 | 15,556,695 |
| Equity mutual funds | 42,326,430 | 34,049,415 |
| Private equity | 5,635,000 | 5,939,341 |
| Hedge fund limited partnerships | 19,372,152 | 22,173,515 |
| State of Israel debt securities | 511,569 | 543,569 |
| Real asset funds | 7,859,878 | 8,188,628 |
| Common stocks | 1,180,929 | 1,319,956 |
| Bonds | 2,978,647 | 834,660 |
| | <u>\$ 99,356,955</u> | <u>\$ 93,678,696</u> |

The Federation entered into agreements with certain beneficiary agencies to hold assets of the agencies in the Federation's general pool and/or fund for income pool and to provide the agencies with an annual return that mirrors the performance of the Federation's pooled investments. These funds are being held in the Federation's fiduciary capacity; as such, agencies have a right to withdraw all or any part of the funds upon request in accordance with the management fund agreement between the Federation and the agencies.

As of June 30, 2017 and 2016, total investments include \$4,119,380 and \$4,607,540, respectively, of investments that are held in trust for these agencies and are also included as a liability in the Consolidated Statements of Financial Position under the caption "Obligations to affiliated agencies for assets held in trust."

Investment income (loss) is shown net of custodial fees and investment management fees of \$397,422 and \$396,704 for the years ended June 30, 2017 and 2016, respectively. Investment income (loss) from cash equivalents and investments is comprised of the following for the years ended June 30:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|---------------------|-----------------------|
| Dividends and interest, net of fees | \$ 1,573,184 | \$ 947,755 |
| Net realized gains | 1,197,360 | 288,427 |
| Net unrealized gains (losses) | 5,747,198 | (3,799,479) |
| | <u>\$ 8,517,742</u> | <u>\$ (2,563,297)</u> |

The Federation has unfunded commitments in its Private Equity and the Real Asset Fund portfolio of approximately \$5,809,000 at June 30, 2017. In general, the private equity partnerships have a 10 year investment period and will call capital over this time period. With the exception of private equity, which are illiquid, the Federation has the right to withdraw its investments after the expiration of "lock-up" periods of one to two years. At June 30, 2017, there are no investments subject to lock-up.

The Federation uses the Net Asset Value ("NAV") to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. INVESTMENTS

The following table lists such investments:

| | Fair Value as of 6/30/2017 | Fair Value as of 6/30/2016 | Unfunded Commitments as of 6/30/2017 | Redemption Frequency | Redemption Notice Period |
|--|-------------------------------|-------------------------------|--|-------------------------|--------------------------------|
| Hedged/Absolute Return | | | | | |
| Archstone Offshore Fund, Ltd. - A | \$ - | \$ 3,123,308 | \$ - | Quarterly | 90 days |
| Weatherlow Offshore I Fund Ltd. - B | 4,615,701 | 4,351,157 | - | Quarterly | 65 days |
| Forester Partners A, LP - C | 4,077,036 | 3,697,137 | - | 25% Quarterly | 95 days |
| Canyon Value Realization Fund Cayman, Ltd. - D | 2,305,262 | 2,033,989 | - | 25% Quarterly | 70 days |
| Seminole Offshore Class A Fund, Ltd. - E | - | 1,761,990 | - | Quarterly | 45 days |
| Hoplite Offshore Fund, Ltd. - E | 2,399,862 | 2,339,104 | - | Quarterly | 45 days |
| Davidson Kempner Institutional Partners, L.P. - T | 3,391,266 | 3,129,302 | - | Quarterly | 65 days |
| Mason Capital, Ltd. 2A - U | 8,564 | 1,737,528 | - | Annual | 45 days |
| SEG Partners Offshore, Ltd. - V | 2,073,830 | - | - | Quarterly | 45 days |
| Private Equity | | | | | |
| Commonfund Capital Venture Equity Partners VII, LP - G | 791,680 | 808,132 | 103,000 | None* | N/A |
| Commonfund Capital Venture Partners VIII, LP - H | 260,447 | 291,847 | 12,500 | None* | N/A |
| Aberdeen (Flag) International Partners (Offshore), LP - I | 766,969 | 889,828 | 40,000 | None* | N/A |
| Wilshire Associates Private Markets Fund II - J | - | 55,580 | - | None* | N/A |
| TIFF Private Equity Partners 2008 LLC - K | 2,211,336 | 2,690,801 | 312,500 | None* | N/A |
| Landmark Equity Partners XIV, LP - L | 384,143 | 474,892 | 59,345 | None* | N/A |
| Landmark Equity Partners XV, LP - L | 655,833 | 460,735 | 893,254 | None* | N/A |
| Park Street Capital Private Equity Fund XI - F | 564,592 | 267,526 | 952,500 | None* | N/A |
| Accolade Partner VI, L.P. - W | - | - | 1,500,000 | None* | N/A |
| Inflation Hedging | | | | | |
| SSgA Real Asset NL QP CTF - M | 3,736,616 | 3,671,855 | - | Daily | 2 days |
| Metropolitan Global Real Estate Partners III, LP - N | 451,145 | 569,688 | 99,684 | None* | N/A |
| Harvest MLP Income Fund II - O | 903,819 | 1,463,652 | - | Monthly | 30 days |
| Seaport (AEW Global Property Securities) - P | 2,028,763 | 2,310,512 | - | Monthly | 15 days |
| Neuberger Berman High Yield Bond Fund LLC - Q | 2,459,254 | 1,773,829 | - | Monthly | 5 days |
| GEM Realty Fund VI - X | - | - | 1,000,000 | None* | N/A |
| Juniper Capital II, L.P. - Y | 798,809 | - | 836,059 | None* | N/A |
| Colchester Global Bond Fund - Q | 901,227 | 1,164,157 | - | Monthly | 10 days |
| Global Equity | | | | | |
| Lone Cascade, LP - R | 6,001,352 | 4,914,249 | - | Quarterly | 30 days |
| Kiltearn Global Equity - R | 5,725,832 | 3,652,269 | - | Monthly | 6 days |
| International Equity | | | | | |
| The Sanderson International Value Fund - S | 3,627,844 | 2,126,212 | - | Monthly | 10 days |
| Total | \$ 51,141,182 | \$ 49,759,279 | \$ 5,808,842 | | |

* - These funds are illiquid. The Federation is not able to redeem the investments as they are committed until capital is returned, which is currently estimated between 1 and 10 years.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. INVESTMENTS (CONTINUED)

Investment Strategies

- A - Employs a fund-of-funds approach focused on hedged equity, market neutral, global trading, short and long based strategies.
- B - Diversified fund of hedge funds that seeks to generate equity-like returns with bond-like volatility. Multiple strategies are employed including long/short equity, event driven, relative value, global asset allocation.
- C - Primarily employs a fund-of-funds approach to hedge funds focused on managers that have different expertise in industry sectors, cap sizes, or geographical areas.
- D - Employs a direct hedge fund strategy that focuses on event-driven investing. Management seeks to identify securities that can be purchased at a price it believes represents a discount to intrinsic value and identify catalysts which can unlock that value. The fund seeks to earn high absolute investment returns with low volatility, and seeks capital appreciation and current income by investing in debt and equity securities with an emphasis on debt instruments.
- E - Seeks to achieve maximum absolute gains that exceed those of broader market averages over time and to minimize risk and volatility of returns through a long/short investment strategy.
- F - Multi-strategy fund of fund manager that expects to invest in 15-20 underlying managers with the goal of diversifying across strategies, stages, industries, and geography. The fund will allocate among buyout, venture capital, and capita restructuring funds.
- G - Employs a fund-of-funds approach to private equity funds, principally in the U.S. focused on growth equity, middle-market funds, and large leveraged buyouts.
- H - Employs a fund-of-funds approach to venture capital firms, principally in the U.S. focused on early stage investing. Also participates in secondary purchases.
- I - Employs a fund-of-funds approach to non-North American regions investing in private equity (both venture and buyout).
- J - Employs a fund-of-funds approach to a broad universe of partnership funds focused on U.S. buyout, U.S. venture capital, international private equity, opportunistic real estate, and mezzanine/special.
- K - Employs a fund-of-funds approach to private equity managers focused on venture, operations-oriented buyout, special situation, and reorganization strategies. May also participate in secondary transactions.
- L - Employs a fund-of-funds approach to middle market international private equity managers focused on venture, buyout, and mezzanine assets through secondary market transactions.
- M - Employs a passive real asset strategy including investments in real estate securities, commodity futures, energy equities and Treasury Inflation Protected Securities ("TIPS").
- N - Feeder fund to three underlying real estate fund-of-fund strategies: U.S. real estate primarily focused on office, apartment and industrial; U.S. debt related distressed properties; and international real estate primarily focused in Europe and Asia.
- O - Seeks to invest directly in income-producing publicly traded Master Limited Partnerships ("MLPs") with a particular focus on energy sector MLPs.
- P - Invests in publicly traded equity securities issued by real estate investment trusts and other publicly held real estate companies in North America, Europe and Asia Pacific.
- Q - Employs strategies including both investment grade securities and high-yield instruments in U.S. and abroad including emerging markets.

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2. INVESTMENTS (CONTINUED)

- R - Employs strategy investing in U.S. and developed market companies, with global customer base including emerging markets. Also employs direct emerging market exposure.
- S - Employs strategy investing primarily in international developed market companies. Also employs direct emerging market exposure.
- T - Multi-strategy absolute return fund that seeks to produce absolute returns with a high priority on capital preservation by investing in merger arbitrage and distressed securities.
- U - Event driven strategy that seeks to achieve high absolute returns with low volatility, independent of the returns of the overall equity and debt markets. Categories of investment can include distressed investing, credit opportunities, special situations, and merger arbitrage.
- V - Employs a direct long/short equity strategy focusing on mid-cap U.S. stocks. Seeks to invest in growing companies with high returns on capital and significant barriers competition trading at reasonable valuations.
- W - Fund of funds that seeks to opportunistically invest in approximately 15 venture capital and growth equity managers with a focus on technology and health care.
- X - Private real estate manager that seeks to construct a diversified portfolio of real estate.
- Y - Private energy manager focusing on small to middle market upstream energy companies that require \$25 - 75 million in equity investment.

3. 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. 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.

The money market and equity mutual funds are managed primarily through investments held by independent investment advisors with discretionary investment authority. These investments are valued at the closing price reported in the active market in which the individual securities are traded.

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3. FAIR VALUE MEASUREMENTS (CONTINUED)

The bond mutual funds and individual 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 or at the net asset value.

The private equity and hedge fund limited partnerships are managed primarily through investments held by independent investment advisors with discretionary investment authority. These investments include private capital limited partnerships, which are illiquid, and hedge fund limited partnerships, which can be withdrawn in accordance with the funds redemption notice period. The underlying investments of the funds are valued at net asset value on a monthly or quarterly basis by the entity. These investments are funded not just by an initial contribution but also by periodic capital calls.

The State of Israel debt securities 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 in the consolidated financial statements is equal to the face value which approximates fair value.

The real asset funds are managed primarily through investments held by independent investment advisors with discretionary investment authority. Investments in real assets include real estate, treasury inflation-protected securities, commodities and global equity natural resource companies. These investments are valued at their current market value determined on the basis of quotations or at the net asset value.

The common stocks are valued at the closing price reported in the active market on which the individual securities are traded.

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 financial instruments measured at fair value on a recurring basis at June 30, 2017 for each of the fair value hierarchy levels:

| Description | 6/30/2017 | 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) |
| Money market mutual funds | \$ 3,107,705 | \$ 3,107,705 | \$ - | \$ - |
| Bond mutual funds | 16,384,645 | 12,928,744 | 3,455,901 | - |
| Equity mutual funds | 42,326,430 | 26,971,402 | 15,355,028 | - |
| Private equity | 5,635,000 | - | - | 5,635,000 |
| Hedge fund limited partnerships | 19,372,152 | 500,631 | - | 18,871,521 |
| State of Israel debt securities | 511,569 | - | 511,569 | - |
| Real asset funds | 7,859,878 | 36,146 | 6,581,382 | 1,242,350 |
| Common stocks | 1,180,929 | 1,180,929 | - | - |
| Bonds | 2,978,647 | 2,978,647 | - | - |
| | \$ 99,356,955 | \$ 47,704,204 | \$ 25,903,880 | \$ 25,748,871 |

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. FAIR VALUE MEASUREMENTS (CONTINUED)

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

| Description | 6/30/2016 | 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) |
| Money market mutual funds | \$ 5,072,917 | \$ 5,072,917 | \$ - | \$ - |
| Bond mutual funds | 15,556,695 | 12,531,425 | 3,025,270 | - |
| Equity mutual funds | 34,049,415 | 23,356,684 | 10,692,731 | - |
| Private equity | 5,939,341 | - | - | 5,939,341 |
| Hedge fund limited partnerships | 22,173,515 | - | - | 22,173,515 |
| State of Israel debt securities | 543,569 | - | 543,569 | - |
| Real asset funds | 8,188,628 | 260,206 | 7,358,734 | 569,688 |
| Common stocks | 1,319,956 | 1,319,956 | - | - |
| Bonds | 834,660 | 834,660 | - | - |
| | \$ 93,678,696 | \$ 43,375,848 | \$ 21,620,304 | \$ 28,682,544 |

Changes in Fair Value of Level 3 Investments

The following 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 | \$ 28,682,544 | \$ 30,298,281 |
| Contributions | 3,289,277 | 579,781 |
| Investment income (loss) | 2,105,166 | (720,310) |
| Withdrawals | (8,328,116) | (1,475,208) |
| Balance, end of year | \$ 25,748,871 | \$ 28,682,544 |

4. ANNUAL AND CAPITAL CAMPAIGN PLEDGES RECEIVABLE, NET

Annual Campaign

Pledges receivable resulting from annual fundraising campaigns are summarized as follows at June 30:

| | 2017 | 2016 |
|---------------------------------------|---------------------|---------------------|
| Gross pledges receivable | \$ 7,740,138 | \$ 8,422,110 |
| Less: Allowance for doubtful accounts | (554,693) | (694,396) |
| Less: Discount on long-term pledges | (97,286) | (62,673) |
| Pledges receivable, net | \$ 7,088,159 | \$ 7,665,041 |

Pledges receivable with payment terms in excess of one year have been discounted using a market rate of interest (approximately 1.8%) to reflect their estimated present value. Pledges receivable are unsecured and are primarily from South Florida residents.

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4. ANNUAL AND CAPITAL CAMPAIGN PLEDGES RECEIVABLE, NET

Annual Campaign (Continued)

Payments due on annual campaign pledges receivable are as follows:

Years Ending June 30,

| | |
|-------------|---------------------|
| 2018 | \$ 6,667,738 |
| 2019 - 2020 | 1,072,400 |
| | \$ 7,740,138 |

During the years ended June 30, 2017 and 2016, the Federation recorded bad debt expense of approximately \$528,000 and \$494,000, respectively.

Capital Campaign

Pledges receivable resulting from capital fundraising campaigns are summarized as follows at June 30:

| | 2017 | 2016 |
|---------------------------------------|---------------------|---------------------|
| Gross pledges receivable | \$ 4,713,121 | \$ 2,389,873 |
| Less: Allowance for doubtful accounts | (364,607) | (151,945) |
| Less: Discount on long-term pledges | (53,297) | (14,102) |
| Pledges receivable, net | \$ 4,295,217 | \$ 2,223,826 |

Pledges receivable with payment terms in excess of one year have been discounted using a market rate of interest (approximately 1.8%) to reflect their estimated present value. Pledges receivable are unsecured and are primarily from South Florida residents.

Payments due on capital campaign pledges receivable are as follows:

Years Ending June 30,

| | |
|-------------|---------------------|
| 2018 | \$ 3,747,975 |
| 2019 - 2023 | 965,146 |
| | \$ 4,713,121 |

During the years ended June 30, 2017 and 2016, the Federation recorded bad debt expense (recovery) of approximately \$500,000 and (\$37,000).

5. TRANSACTIONS WITH AGENCIES

Mandel Jewish Community Center

The Federation advanced monies in prior years to the Mandel JCC, a beneficiary agency of the Federation. The unsecured balance due from the Mandel JCC was \$2,849,805 at June 30, 2017 and 2016. Because of the inherent uncertainties in the ability of the Mandel JCC to repay amounts advanced pursuant to the notes, the entire balance has been reserved at June 30, 2017 and 2016, and thus not reflected as an asset on the Consolidated Statements of Financial Position.

The note receivable accrues interest and requires monthly interest payments at the same rate as the Federation's line of credit with its financial institution (2.07% and 1.46% at June 30, 2017 and 2016, respectively). The note does not require principal payments. Total interest income for the years ended June 30, 2017 and 2016 was \$48,000 and \$38,000 respectively.

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5. TRANSACTIONS WITH AGENCIES (CONTINUED)

Mandel Jewish Community Center (Continued)

As described in NOTE 16, on October 12, 2017, the Federation entered into various agreements and amended its existing note receivable with the Mandel JCC. One of the effects resulting from the amendment and other agreements was to collateralize the note receivable by the real estate and other assets of the Mandel JCC located in Palm Beach Gardens effective that date.

During the year ended June 30, 2013, the Federation and the Mandel JCC entered into a 25 year land lease, whereas the Federation is the lessor, and the Mandel JCC is the lessee. The lease has an option to extend the lease for a total of ninety-nine years. The Federation has estimated the fair market value of the lease at approximately \$195,000 a year. During the years ended June 30, 2017 and 2016, the Federation recorded in-kind income and expense of approximately \$195,000, which is included within "In-kind rental income" with a corresponding expense recorded within "Board approved allocations (including in-kind rent)." Due to the conditional nature of the ninety-nine year lease, the donated use of land is evaluated on an annual basis by the Federation to determine if the Mandel JCC has met the conditions stipulated in the lease agreement. On October 12, 2017, the Federation and the Mandel JCC amended the ground lease which specified that if there was any default under any term, covenant or condition with the notes receivable agreements, that the lease shall terminate and ownership of all fixtures and improvements, including the building shall immediately become the property of the Federation.

Arthur Meyer Academy

On October 10, 2013 the Federation and the Academy entered into an annual lease with automatic renewals, based on certain conditions, for a new building in Palm Beach Gardens, whereas the Federation is the lessor, and the Academy is the lessee. The initial term of the lease may extend to June 30, 2112. The Federation has estimated the fair market value of the lease at \$1,138,456 per year. During each of the years ended June 30, 2017 and 2016, the Federation recorded in-kind rent income and expense of \$1,138,456, which is included in "In-kind rental income" with a corresponding expense recorded within "Board approved allocations (including in-kind rent)". Due to the conditional nature of the ninety-nine year lease, the donated use of the property is evaluated on an annual basis by the Federation to determine if the Academy has met the conditions stipulated in the lease agreement.

During the year ended June 30, 2016, the Federation paid approximately \$21,000 to purchase property and equipment for the Academy, which is reflected within "Board approved allocations (including in-kind rent)" on the Consolidated Statements of Activities. No monies were spent to purchase assets for the Academy during the year ended June 30, 2017.

6. PROPERTY AND EQUIPMENT, NET

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

| | <u>Useful Lives</u> | <u>2017</u> | <u>2016</u> |
|---|---------------------|----------------------|----------------------|
| Land | - | \$ 5,158,073 | \$ 5,158,073 |
| Land improvements | 15 years | 2,709,102 | 2,709,102 |
| Buildings | 30 years | 34,140,876 | 23,269,878 |
| Furniture and equipment | 5-10 years | 1,569,957 | 1,944,859 |
| Computer software | 5 years | 301,769 | 301,769 |
| Construction in Progress | - | 310,998 | - |
| Total (including equipment under capital lease of \$1,147,074 at June 30, 2017 and 2016) | | 44,190,775 | 33,383,681 |
| Less: Accumulated depreciation and amortization (accumulated amortization on capital leases of \$558,764 and \$368,792 at June 30, 2017 and 2016, respectively) | | (9,020,185) | (7,945,437) |
| | | <u>\$ 35,170,590</u> | <u>\$ 25,438,244</u> |

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6. PROPERTY AND EQUIPMENT, NET (CONTINUED)

On June 23, 2016, the Federation entered into a Purchase and Sale Agreement to purchase a certain parcel of land, commonly known as One Harvard Circle, for \$10,700,000. This property was purchased with the intent for it to be the new headquarters of the Federation. The sale closed on August 29, 2016. The Federation moved into this facility during the year ending June 30, 2017. As of June 30, 2017, the Federation incurred costs of approximately \$311,000 for the build out of the new headquarters, these costs are reflected as Construction in Progress in table above. Depreciation and amortization expense on property and equipment was approximately \$1,520,000 and \$1,175,000 for the years ended June 30, 2017 and 2016, respectively.

7. LINE OF CREDIT

The Federation has a revolving line of credit. The credit line was increased from \$7,500,000 to \$10,000,000 on August 1, 2016. Bank advances on the credit line carry an interest rate of 1.0% per annum plus the one-month LIBOR rate (2.07% and 1.46% at June 30, 2017 and 2016, respectively). The original maturity date of the line of credit was March 31, 2014, however, the line was extended and is now set to mature on March 31, 2018. The credit line is unsecured and guaranteed by the Campus Corporation and the North Campus. At June 30, 2017 and 2016, the Federation had \$2,826,596 outstanding on the line of credit. Interest expense under the line of credit for the years ended June 30, 2017 and 2016 was approximately \$48,000 and \$38,000, respectively.

The line of credit agreement requires the Federation to meet certain financial covenants. As of June 30, 2017, management of the Federation believes that /they are in compliance with all of these covenants.

8. LOAN PAYABLE

Colorado Educational and Cultural Facilities Authority, Series P-2 Loan

In September 2013, the Federation entered into an agreement with the Colorado Education and Cultural Facilities Authority (the "Issuer") for the purpose of issuing Colorado Educational and Cultural Facilities Authority Variable Rate Demand Tax Exempt Loan Series P-2 in the aggregate principal amount of \$15,000,000 ("Series P-2"). The Series P-2 loan is provided by a financial institution. The proceeds were loaned by the Issuer to the Federation to pay for the constructing and equipping of the Academy, and to pay certain costs of issuance.

Principal is paid in semi-annual principal installments and the first principal payment was due on September 10, 2015 and runs through September 2043. Interest is paid monthly on the first business day of each month, and commenced October 1, 2013 and continues thereafter until the loan maturity date at which time all outstanding and unpaid principal and all accrued but unpaid interest shall be due and payable in full. The interest rate is variable at 71% of the one-month LIBOR rate plus .89% (1.64% and 1.21% at June 30, 2017 and 2016, respectively). The financial institution has the option to call the loan in the three (3) month period preceding and succeeding the 7th anniversary, the 14th anniversary, the 21st anniversary, and the 28th anniversary of the loan. As of June 30, 2017 and 2016, the outstanding balance on this loan was approximately \$13,947,000 and \$14,474,000, respectively.

Approximate future principal payments on the loan payable are due as follows:

| Years ending June 30, | | |
|-----------------------|-----------|-------------------|
| 2018 | \$ | 526,000 |
| 2019 | | 526,000 |
| 2020 | | 526,000 |
| 2021 | | 526,000 |
| 2022 | | 526,000 |
| Thereafter | | 11,317,368 |
| | \$ | 13,947,368 |

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8. LOAN PAYABLE (CONTINUED)

The series P-2 loan requires the Federation to meet certain financial covenants. The Federation must maintain a ratio of unrestricted liquid assets to the aggregate principal amount of all outstanding indebtedness of not less than 1.00 to 1.00. Management believes that the Federation is in compliance with this covenant at June 30, 2017 which is measured semi-annually.

During the years ended June 30, 2017 and 2016, interest of approximately \$195,000 and \$166,000, respectively, related to the loan payable was expensed and is reflected in the Consolidated Statements of Functional Expenses.

9. CAPITAL LEASES PAYABLE

The Federation leases software and equipment under capital leases expiring September 2017 through July 2021. The leases are collateralized by software and property and equipment with total costs of \$1,147,074 at June 30, 2017 and 2016. The interest rate on the capital leases ranges from 1.55% to 2.25%.

Total minimum future lease payments under the capital leases are as follows:

| <u>Years ending June 30,</u> | | |
|---|----|----------------|
| 2018 | \$ | 207,304 |
| 2019 | | 202,122 |
| 2020 | | 139,916 |
| 2021 | | 119,180 |
| 2022 | | 59,590 |
| Total minimum lease payments | | 728,112 |
| Present value of net minimum capital lease payments | | (55,182) |
| Total | \$ | 672,930 |

10. TEMPORARILY RESTRICTED NET ASSETS

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 or appropriated for specific programs or purposes.

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

| | 2017 | 2016 |
|--|---------------------|----------------------|
| Cash surrender values of donated life insurance policies | \$ 275,935 | \$ 271,657 |
| Appreciation in designated endowment funds not appropriated | 818,267 | 474,293 |
| Appreciation in annual campaign endowment funds not appropriated | 2,829,476 | 2,199,302 |
| Split-interest agreements | 1,515,948 | 1,420,648 |
| Annual campaign contributions for future years | 1,612,773 | 1,335,958 |
| Capital campaign contributions | 438,700 | 4,264,105 |
| Other funds | 1,009,844 | 671,989 |
| | \$ 8,500,943 | \$ 10,637,952 |

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11. PERMANENTLY RESTRICTED NET ASSETS

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

| | 2017 | 2016 |
|--|----------------------|----------------------|
| Cash surrender values of donated life insurance policies | \$ 740,643 | \$ 715,290 |
| Split-interest agreements | 1,425,720 | 1,265,930 |
| Designated endowment funds | 19,843,715 | 19,792,589 |
| Annual campaign endowment funds | 12,878,462 | 12,788,849 |
| | \$ 34,888,540 | \$ 34,562,658 |

A designated fund is established for specific charitable purposes. An annual campaign endowment is established to allow the donor to make annual campaign contributions, in perpetuity, while the corpus remains permanently invested.

12. ALLOCATIONS AND DISTRIBUTIONS

Allocations and distributions from unrestricted net assets include the following during the years ended June 30:

| | 2017 | 2016 |
|---|----------------------|----------------------|
| The Jewish Federation of North America | \$ 3,946,531 | \$ 4,166,609 |
| Board approved agency allocations: | | |
| Mandel Jewish Community Center of the Greater Palm Beaches, Inc. | \$ 2,181,944 | \$ 2,175,672 |
| Arthur I. Meyer Jewish Academy, Inc. | 1,509,456 | 1,576,944 |
| Jewish Family and Children's Service of Palm Beach County, Inc. | 711,045 | 715,311 |
| Commission for Jewish Education of the Palm Beaches, Inc. | 475,079 | 481,653 |
| Senior Service Subsidies | 822,927 | 793,487 |
| Various other agencies | 319,816 | 598,289 |
| Total board approved allocations (including in-kind rent allocation of approximately \$2,293,000 and \$2,292,000 for 2017 and 2016, respectively) | \$ 6,020,267 | \$ 6,341,356 |
| Distributions from Planned Giving and Endowments Funds: | | |
| Overseas | \$ 1,448,482 | \$ 1,240,319 |
| Local beneficiary agency | 1,413,432 | 1,154,194 |
| Other local Jewish organizations | 504,213 | 610,924 |
| Local secular organizations | 690,570 | 968,173 |
| National Jewish organizations | 53,253 | 33,001 |
| National secular organizations | 695,659 | 713,496 |
| Other miscellaneous | 35,648 | 11,651 |
| Total distributions from Planned Giving and Endowment Funds | \$ 4,841,257 | \$ 4,731,758 |
| Total Allocations and Distributions | \$ 14,808,055 | \$ 15,239,723 |

13. EMPLOYEE BENEFIT PLAN

The Federation sponsors a 401(k) plan covering substantially all employees. Employees are eligible for the plan on the 1st of the month following their date of employment.

The plan created a safe harbor plan. In addition to a 3% safe harbor non-elective contribution, the Federation contributes 2% to the employee 401(k) with an additional 3% dollar for dollar match. For new staff, contributions start on January 1 or July 1 after the person has completed 6 months of employment. All employee contributions and safe harbor contributions vest immediately. Matching and employer contributions vest after three years of service. The amount of expense related to the Money Purchase Plan and Safe Harbor Plan amounted to approximately \$362,000 and \$331,000 for the years ended June 30, 2017 and 2016, respectively, and are included in "Pension and health" in the accompanying Consolidated Statements of Functional Expenses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

14. ENDOWMENTS

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

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 Net Assets at June 30, 2017:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|-----------------------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Donor-restricted endowment funds | \$ (1,066,335) | \$ 3,647,743 | \$ 32,722,177 | \$ 35,303,585 |
| Board-designated endowment funds | 14,259,652 | - | - | 14,259,652 |
| Total endowment net assets | \$ 13,193,317 | \$ 3,647,743 | \$ 32,722,177 | \$ 49,563,237 |

Summary of Endowment Net Assets at June 30, 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|-----------------------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Donor-restricted endowment funds | \$ (1,610,318) | \$ 2,673,595 | \$ 32,581,438 | \$ 33,644,715 |
| Board-designated endowment funds | 13,391,994 | - | - | 13,391,994 |
| Total endowment net assets | \$ 11,781,676 | \$ 2,673,595 | \$ 32,581,438 | \$ 47,036,709 |

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14. ENDOWMENTS (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> |
|--------------------------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Net assets, June 30, 2016 | \$ 11,781,676 | \$ 2,673,595 | \$ 32,581,438 | \$ 47,036,709 |
| Investment income, net | 2,914,819 | 2,038,029 | - | 4,952,848 |
| Contributions | 631,073 | - | 140,739 | 771,812 |
| Amounts appropriated for expenditure | (2,050,807) | (961,592) | - | (3,012,399) |
| Investment fees | (83,444) | (102,289) | - | (185,733) |
| Net assets, June 30, 2017 | \$ 13,193,317 | \$ 3,647,743 | \$ 32,722,177 | \$ 49,563,237 |

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> |
|--------------------------------------|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Net assets, June 30, 2015 | \$ 13,313,653 | \$ 4,833,649 | \$ 31,446,586 | \$ 49,593,888 |
| Investment income (loss), net | 105,955 | (1,517,648) | - | (1,411,693) |
| Contributions | 827,629 | - | 1,459,252 | 2,286,881 |
| Transfer from endowment | - | - | (324,400) | (324,400) |
| Amounts appropriated for expenditure | (2,351,909) | (572,067) | - | (2,923,976) |
| Investment fees | (113,652) | (70,339) | - | (183,991) |
| Net assets, June 30, 2016 | \$ 11,781,676 | \$ 2,673,595 | \$ 32,581,438 | \$ 47,036,709 |

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 | \$ 32,722,177 | \$ 32,581,438 |

Split-interest agreements and cash surrender values of donated life insurance policies are part of permanently restricted net assets but are managed separately from permanent fund endowments. Therefore, these instruments are not included in the spending calculation for the permanent fund or in the endowment net assets reported.

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. At June 30, 2017 and 2016, the fair market value of permanently restricted investments was approximately \$35,304,000 and \$33,645,000, respectively.

In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were approximately \$1,066,000 and \$1,610,000 at June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Federation.

Additionally, the fair market value of certain funds exceeded the value required to be retained by the donor or law by approximately \$3,648,000 and \$2,674,000 at June 30, 2017 and 2016, respectively. These amounts were reported in temporarily restricted net assets at June 30, 2017 and 2016, respectively.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

14. ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

The Federation has adopted investment policies for endowment assets with its primary objective to provide for long-term growth of principal and income within reasonable risk tolerances enabling the Federation to make grants on a continuing and consistent basis. The focus is on reasonable and consistent long-term capital appreciation. Primary emphasis is placed on maintaining real growth of assets net of inflation and fees.

Strategies Employed for Achieving Objectives

To satisfy its investment objectives, the Federation has adopted an investment strategy emphasizing broad diversification. Diversification helps to reduce portfolio volatility (variability of returns) and maximize investment returns at appropriate levels of risk over time. Diversification of assets are achieved by allocating assets to multiple asset classes, allocating assets among various investment styles and retaining investment management firms with complementary investment philosophies, styles and approaches.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Federation has a policy of appropriating distributions based on written agreements with the donors. In most, but not all cases, the agreements reflect distributions each year of 5% of the average fair value of a thirty six month period through the period preceding when the distributions will be made. In establishing this 5% spending policy, the Federation considered the long-term growth of assets. Accordingly, over the long term, the Federation expects the current spending policy to allow its endowment to maintain real growth of assets.

15. COMMITMENTS AND CONTINGENCIES

Operating Lease - Lessee

In July 2014, the Federation entered into a lease agreement with the Oxbridge Academy, a Florida not-for profit corporation, to lease its operating facilities. On March 15, 2016 the lease was extended through July 30, 2017. The monthly base rent is approximately \$18,000. Rent expense for the years ended June 30, 2017 and 2016 are \$216,000 and \$108,000, respectively. The anticipated future minimum payments for the year ended June 30, 2018 is approximately \$18,000. The lease was not renewed as the Federation purchased a new headquarters on August 29, 2016, and began occupying the facility in January 2017.

Operating Leases - Lessor

In August 2016, the Federation inherited a lease agreement with a tenant who was leasing space in the building that was purchased at One Harvard Circle. The lease was set to expire on March 30, 2018; however, the tenant exercised an option and the lease was extended through March 31, 2021. The tenant has two additional 3 year options to extend the lease through March 31, 2026. The monthly base rent is approximately \$27,000. Rental income for the year ended June 30, 2017 related to this tenant was approximately \$269,000 which is reflected within "Rental income" on the Consolidated Statements of Activities.

Approximate future rental income is as followed:

| <u>Years ending June 30,</u> | |
|------------------------------|----------------------------|
| 2018 | \$ 333,000 |
| 2019 | 343,000 |
| 2020 | 353,000 |
| 2021 | <u>271,000</u> |
| | <u>\$ 1,300,000</u> |

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases – Lessor (Continued)

Additionally, during the year ended June 30, 2017, the Federation entered in a lease agreement with Suffolk Construction as part of the purchase of the new building. The lease agreement was from the close of the sale, August 29, 2016, to January 15, 2017. The monthly base rent was \$35,000. Rental income associated with this lease was approximately \$163,000 for the year ended June 30, 2017.

Shared Insurance Premium Commitments

In March 2016, the Federation established a shared premium insurance policy program. During the year ended June 30, 2017, donors established four Universal life insurance policies for the benefit of the Federation with a collective face value of \$2,000,000. There are ten required premium payments of approximately \$77,000. The donor pays the first five years of annual life insurance premiums and the subsequent five annual premiums will be paid by the Federation as long as the insurance policies continue to be in force. In the event the policies remain in force, the Federation is committed to pay a maximum of approximately \$383,000 starting in 2021. These policies have no cash surrender value.

Litigation

The Federation is exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution will not have a material effect on the Federation's Consolidated Statements of Financial Position or Consolidated Statements of Activities.

16. SUBSEQUENT EVENTS

Subsequent Transactions with the Mandel JCC

Over the course of the past few years, the Mandel JCC has experienced continued losses, cash flow shortages, and a working capital deficit. On October 12, 2017, in an effort to support the financial needs of the Mandel JCC, the Federation agreed to lend the Mandel JCC up to \$2,500,000. This was effectuated through amending its existing note receivable (NOTE 5) between the Mandel JCC and the Federation. The note receivable effective October 12, 2017, is now collateralized by the Mandel JCC's building and building improvements located in Palm Beach Gardens. As a result, management reassessed its estimate and reversed the \$2,849,805 allowance on the note receivable during the year ending June 30, 2018. The terms of the note receivable are the same terms as described in NOTE 5 including various conditions and covenants which, should the Mandel JCC default, would transfer the Mandel JCC's building to the Federation. Additionally, as a result of the amended note receivable, on October 26, 2017, the Mandel JCC assigned its pledges receivable of \$315,000 to the Federation as additional collateral since the Federation paid off a loan that the Mandel JCC had with a financial institution totaling approximately \$335,000.

Further, on October 26, 2017, the Federation agreed to guarantee a line of credit with a \$750,000 borrowing capacity that the Mandel JCC has with a financial institution, which is due October 26, 2022. The Federation has reduced the remaining borrowing capacity of the Mandel JCC note by the amount the Federation guarantees amount under the Mandel JCC's line of credit. Should the Mandel JCC default on its debt payments, the Federation is responsible for the payment. As of the report date, the total outstanding balance on the note receivable is approximately \$5,081,000.