

JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

**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, 2019 and 2018, 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, 2019 and 2018, and the consolidated 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.

Monison, Brown, Aziz & Fana

Boca Raton, Florida
December 18, 2019

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	2019	2018
Cash and cash equivalents	\$ 6,435,416	\$ 8,290,795
Investments	103,401,145	101,729,779
Annual campaign pledges receivable, net	6,787,048	5,532,140
Capital campaign pledges receivable, net	1,399,013	2,380,432
Notes receivable - Mandel Jewish Community Center	5,265,568	4,501,772
Prepaid expenses and other assets	7,677,477	5,824,849
Property and equipment, net	34,814,167	36,057,311
TOTAL ASSETS	\$ 165,779,834	\$ 164,317,078
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other accrued liabilities	\$ 1,042,914	\$ 1,125,685
Line of credit	2,826,596	2,826,596
Allocations payable - The Jewish Federations of North America	4,337,594	4,474,106
Allocations payable - other beneficiary agencies	3,668,923	3,883,643
Designated campaign gifts payable	99,024	336,891
Split-interest agreements	2,349,670	3,219,937
Obligations to affiliated agencies for assets held in trust	2,978,109	2,777,934
Capital leases payable	460,864	533,325
Loan payable	12,894,737	13,421,053
TOTAL LIABILITIES	30,658,431	32,599,170
NET ASSETS		
Without donor restrictions (including \$15,008,670 and \$15,055,766 of board designated funds at June 30, 2019 and 2018, respectively)	91,022,767	88,397,530
With donor restrictions	44,098,636	43,320,378
TOTAL NET ASSETS	135,121,403	131,717,908
TOTAL LIABILITIES AND NET ASSETS	\$ 165,779,834	\$ 164,317,078

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,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES						
Public Support:						
Annual campaign contributions, net	\$ 16,670,193	\$ 269,680	\$ 16,939,873	\$ 14,093,474	\$ 350,837	\$ 14,444,311
Capital campaign contributions, net	43,343	-	43,343	263,434	-	263,434
Grants from philanthropic funds and endow ment funds	<u>(2,067,455)</u>	<u>-</u>	<u>(2,067,455)</u>	<u>(1,805,443)</u>	<u>-</u>	<u>(1,805,443)</u>
Campaign contributions, net	14,646,081	269,680	14,915,761	12,551,465	350,837	12,902,302
Legacies, bequests and endow ment funds including change in value of split-interest agreements	6,863,935	1,718,170	8,582,105	6,281,185	304,819	6,586,004
Net assets released from restrictions	<u>3,263,490</u>	<u>(3,263,490)</u>	<u>-</u>	<u>3,821,207</u>	<u>(3,821,207)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT	<u>24,773,506</u>	<u>(1,275,640)</u>	<u>23,497,866</u>	<u>22,653,857</u>	<u>(3,165,551)</u>	<u>19,488,306</u>
Revenues:						
Investment income, net	2,670,033	1,861,668	4,531,701	3,255,967	3,404,271	6,660,238
Rental income	341,870	-	341,870	332,714	-	332,714
In-kind rental income	2,252,241	-	2,252,241	2,306,641	-	2,306,641
Program, event and other revenues	<u>2,781,394</u>	<u>192,230</u>	<u>2,973,624</u>	<u>2,298,028</u>	<u>244,724</u>	<u>2,542,752</u>
TOTAL REVENUES	<u>8,045,538</u>	<u>2,053,898</u>	<u>10,099,436</u>	<u>8,193,350</u>	<u>3,648,995</u>	<u>11,842,345</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>32,819,044</u>	<u>778,258</u>	<u>33,597,302</u>	<u>30,847,207</u>	<u>483,444</u>	<u>31,330,651</u>
ALLOCATIONS, DISTRIBUTIONS AND PROGRAM EXPENSES:						
Jew ish Federations of North America and overseas partners	3,847,605	-	3,847,605	3,943,035	-	3,943,035
Board approved allocations (including in-kind rent)	5,581,581	-	5,581,581	5,940,024	-	5,940,024
Planned giving and endow ment distributions	<u>4,453,848</u>	<u>-</u>	<u>4,453,848</u>	<u>4,113,167</u>	<u>-</u>	<u>4,113,167</u>
TOTAL ALLOCATIONS AND DISTRIBUTIONS	<u>13,883,034</u>	<u>-</u>	<u>13,883,034</u>	<u>13,996,226</u>	<u>-</u>	<u>13,996,226</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 (CONTINUED)
FOR THE YEARS ENDED JUNE 30,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PROGRAM EXPENSES						
Program services:						
Agency Services and Campus Operations	\$ 4,634,666	\$ -	\$ 4,634,666	\$ 4,094,171	\$ -	\$ 4,094,171
Federation Operating Programs	2,077,203	-	2,077,203	2,559,425	-	2,559,425
Community Program Center	2,559,086	-	2,559,086	950,822	-	950,822
Jewish Community Engagement	778,342	-	778,342	614,593	-	614,593
TOTAL PROGRAM EXPENSES	<u>10,049,297</u>	<u>-</u>	<u>10,049,297</u>	<u>8,219,011</u>	<u>-</u>	<u>8,219,011</u>
TOTAL ALLOCATIONS, DISTRIBUTIONS AND PROGRAM EXPENSES	23,932,331	-	23,932,331	22,215,237	-	22,215,237
Support Services:						
Fundraising	4,531,526	-	4,531,526	4,122,659	-	4,122,659
Management and General	1,729,950	-	1,729,950	1,551,912	-	1,551,912
TOTAL SUPPORT SERVICES	<u>6,261,476</u>	<u>-</u>	<u>6,261,476</u>	<u>5,674,571</u>	<u>-</u>	<u>5,674,571</u>
Elimination of allowance on note receivable (NOTE 6)	-	-	-	(2,849,805)	-	(2,849,805)
TOTAL EXPENSES, NET OF ELIMINATION OF ALLOWANCE ON NOTE RECEIVABLE	<u>30,193,807</u>	<u>-</u>	<u>30,193,807</u>	<u>25,040,003</u>	<u>-</u>	<u>25,040,003</u>
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO THE ACQUISITION OF COMMISSION FOR JEWISH EDUCATION	2,625,237	778,258	3,403,495	5,807,204	483,444	6,290,648
Excess of assets acquired over liabilities assumed in acquisition of the Commission for Jewish Education (NOTE 1)	-	-	-	397,011	513,786	910,797
CHANGE IN NET ASSETS	2,625,237	778,258	3,403,495	6,204,215	997,230	7,201,445
NET ASSETS - BEGINNING OF YEAR	88,397,530	43,320,378	131,717,908	82,193,315	42,323,148	124,516,463
NET ASSETS - END OF YEAR	<u>\$ 91,022,767</u>	<u>\$ 44,098,636</u>	<u>\$ 135,121,403</u>	<u>\$ 88,397,530</u>	<u>\$ 43,320,378</u>	<u>\$ 131,717,908</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,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,403,495	\$ 7,201,445
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,591,395	1,535,282
Provision for uncollectible pledges, net	657,857	328,854
Elimination of allowance on note receivable	-	(2,849,805)
Realized gains on investments	(1,358,265)	(2,499,438)
Unrealized gains on investments	(1,421,030)	(2,312,515)
Endowment contributions	(1,109,614)	(693,520)
Change in split-interest agreements	(285,754)	419,729
Capital campaign contributions	(233,787)	(204,451)
Excess of assets acquired over liabilities assumed in acquisition of agency	-	(910,797)
Decrease (increase) in operating assets:		
Pledges receivable, net	(1,818,969)	1,092,518
Prepaid expenses and other assets	(1,343,878)	(947,149)
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued liabilities	(82,771)	195,153
Allocations payable	(351,232)	(318,025)
Designated campaign gifts payable	(237,867)	(269,378)
TOTAL ADJUSTMENTS	<u>(5,993,915)</u>	<u>(7,433,542)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(2,590,420)</u>	<u>(232,097)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash transferred in from acquisition of agency	-	195,205
Loans to the Mandel Jewish Community Center	(763,796)	(1,651,967)
Net proceeds from sale of investments	1,107,929	3,128,896
Purchases of property and equipment	(215,794)	(2,364,544)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>128,339</u>	<u>(692,410)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	(204,918)	(197,064)
Increase (decrease) in trust assets held on behalf of agencies	200,175	(1,341,446)
Repayments on loan payable	(526,316)	(526,315)
Payments on split-interest agreements	(584,513)	(697,226)
Collections from capital campaign	1,121,410	2,253,883
Endowment contributions	600,864	420,727
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>606,702</u>	<u>(87,441)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,855,379)</u>	<u>(1,011,948)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,290,795</u>	<u>9,302,743</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,435,416</u>	<u>\$ 8,290,795</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 485,378</u>	<u>\$ 380,827</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Equipment acquired under capital lease	<u>\$ 132,457</u>	<u>\$ 57,459</u>
Cash transferred from CJE	\$ -	\$ 195,205
Fair value of assets acquired	-	719,934
Liabilities assumed	-	(4,342)
Excess of assets acquired over liabilities assumed in acquisition of CJE (NOTE 1)	<u>\$ -</u>	<u>\$ 910,797</u>

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, 2019

	<u>Program Services</u>				<u>Support Services</u>				
	<u>Agency Services and Campus Operations</u>	<u>Federation Operating Programs</u>	<u>Community Program Center</u>	<u>Jewish Community Engagement</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Support Services</u>	<u>Total Expenses</u>
Salaries & Related Benefits									
Salaries	\$ 929,976	\$ 852,709	\$ 1,428,238	\$ 377,504	\$ 3,588,427	\$ 2,557,601	\$ 609,355	\$ 3,166,956	\$ 6,755,383
Payroll taxes	65,715	60,488	101,630	26,755	254,588	172,045	43,240	215,285	469,873
Pension & health	163,717	173,128	260,351	109,250	706,446	467,942	119,966	587,908	1,294,354
Total salaries & related benefits	<u>1,159,408</u>	<u>1,086,325</u>	<u>1,790,219</u>	<u>513,509</u>	<u>4,549,461</u>	<u>3,197,588</u>	<u>772,561</u>	<u>3,970,149</u>	<u>8,519,610</u>
Operating Expenses									
Conferences, meetings & public relations	126,875	683,086	369,027	137,890	1,316,878	700,427	34,786	735,213	2,052,091
Office supplies, printing & postage	18,606	51,786	62,325	14,135	146,852	197,976	32,153	230,129	376,981
Occupancy	327,786	1,268	696	222	329,972	3,257	890	4,147	334,119
Security	306,045	2,253	14,346	2,381	325,025	7,223	138	7,361	332,386
Insurance	242,585	4,125	7,646	5,107	259,463	16,569	9,788	26,357	285,820
Repairs & maintenance	382,227	17,670	32,137	10,138	442,172	68,374	39,669	108,043	550,215
Telephone	18,579	9,991	16,510	5,157	50,237	20,933	7,439	28,372	78,609
Transportation	3,919	14,162	13,711	9,908	41,700	13,965	2,999	16,964	58,664
Staffing & employee relocation	6,511	5,595	10,370	3,942	26,418	22,472	13,275	35,747	62,165
Professional fees	366,703	152,998	102,808	47,543	670,052	80,189	44,619	124,808	794,860
Bad debt expense	-	-	-	-	-	-	657,857	657,857	657,857
Interest	485,378	-	-	-	485,378	-	-	-	485,378
Miscellaneous	18,951	5,209	60,084	3,087	87,331	30,913	12,379	43,292	130,623
Total operating expenses	<u>2,304,165</u>	<u>948,143</u>	<u>689,660</u>	<u>239,510</u>	<u>4,181,478</u>	<u>1,162,298</u>	<u>855,992</u>	<u>2,018,290</u>	<u>6,199,768</u>
Total expenses before depreciation and amortization	3,463,573	2,034,468	2,479,879	753,019	8,730,939	4,359,886	1,628,553	5,988,439	14,719,378
Depreciation and amortization	1,171,093	42,735	79,207	25,323	1,318,358	171,640	101,397	273,037	1,591,395
Total expenses	<u>\$ 4,634,666</u>	<u>\$ 2,077,203</u>	<u>\$ 2,559,086</u>	<u>\$ 778,342</u>	<u>\$ 10,049,297</u>	<u>\$ 4,531,526</u>	<u>\$ 1,729,950</u>	<u>\$ 6,261,476</u>	<u>\$ 16,310,773</u>

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, 2018

	Program Services				Support Services			Total Expenses	
	Agency Services and Campus Operations	Federation Operating Programs	Community Program Center	Jewish Community Engagement	Total Program Services	Fundraising	Management and General		Total Support Services
Salaries & Related Benefits									
Salaries	\$ 837,454	\$ 873,653	\$ 530,772	\$ 295,076	\$ 2,536,955	\$ 2,528,493	\$ 715,698	\$ 3,244,191	\$ 5,781,146
Payroll taxes	57,431	62,173	39,342	21,747	180,693	171,634	50,540	222,174	402,867
Pension & health	126,368	180,975	76,215	72,906	456,464	487,214	142,878	630,092	1,086,556
Total salaries & related benefits	<u>1,021,253</u>	<u>1,116,801</u>	<u>646,329</u>	<u>389,729</u>	<u>3,174,112</u>	<u>3,187,341</u>	<u>909,116</u>	<u>4,096,457</u>	<u>7,270,569</u>
Operating Expenses									
Conferences, meetings & public relations	154,403	1,058,075	141,707	106,581	1,460,766	365,149	35,043	400,192	1,860,958
Office supplies, printing & postage	33,719	61,785	13,659	17,917	127,080	156,848	31,371	188,219	315,299
Occupancy	391,263	2,077	382	366	394,088	5,686	1,716	7,402	401,490
Security	302,030	4,694	4,388	1,522	312,634	3,730	358	4,088	316,722
Insurance	246,112	4,859	2,559	2,450	255,980	17,987	11,490	29,477	285,457
Repairs & maintenance	242,201	18,150	9,727	8,962	279,040	63,988	40,461	104,449	383,489
Telephone	24,030	10,367	2,730	3,150	40,277	20,868	7,747	28,615	68,892
Transportation	2,902	12,564	4,398	8,829	28,693	8,524	3,502	12,026	40,719
Staffing & employee relocation	5,906	6,162	3,245	3,107	18,420	22,812	14,573	37,385	55,805
Professional fees	100,442	212,958	51,204	46,581	411,185	76,036	48,573	124,609	535,794
Bad debt expense	-	-	-	-	-	-	328,854	328,854	328,854
Interest	380,827	-	-	-	380,827	-	-	-	380,827
Miscellaneous	19,142	5,814	46,736	2,652	74,344	26,669	12,412	39,081	113,425
Total operating expenses	<u>1,902,977</u>	<u>1,397,505</u>	<u>280,735</u>	<u>202,117</u>	<u>3,783,334</u>	<u>768,297</u>	<u>536,100</u>	<u>1,304,397</u>	<u>5,087,731</u>
Total expenses before depreciation and amortization	2,924,230	2,514,306	927,064	591,846	6,957,446	3,955,638	1,445,216	5,400,854	12,358,300
Depreciation and amortization	1,169,941	45,119	23,758	22,747	1,261,565	167,021	106,696	273,717	1,535,282
Total expenses	<u>\$ 4,094,171</u>	<u>\$ 2,559,425</u>	<u>\$ 950,822</u>	<u>\$ 614,593</u>	<u>\$ 8,219,011</u>	<u>\$ 4,122,659</u>	<u>\$ 1,551,912</u>	<u>\$ 5,674,571</u>	<u>\$ 13,893,582</u>

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, 2019 AND 2018

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 ("North Campus") (collectively the "Federation"), which are under common control. All intercompany accounts and transactions have been eliminated in the consolidation.

Merger with Commission for Jewish Education

Effective June 30, 2018, the Commission for Jewish Education ("CJE"), a Florida non-for-profit corporation, merged with the Federation. The following transaction was treated as an acquisition in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Federation is the surviving corporation while CJE will cease to exist.

The fair values of CJE's assets and liabilities at the acquisition date are as follows:

Cash	\$	195,205
Accounts receivable		30,167
Investments		<u>689,767</u>
Total assets		915,139
Accounts payable and accrued expenses		<u>4,342</u>
Total net assets	\$	<u>910,797</u>
NET ASSETS		
Without donor restrictions	\$	397,011
With donor restrictions		<u>513,786</u>
Total net assets	\$	<u>910,797</u>

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 501(c)(3) 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 purposes are described by management as follows.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Purpose (Continued)

National and International Initiatives

Jewish Federations of North America

The Jewish Federations of North America ("JFNA") is the umbrella organization representing a network of Jewish Federation communities that provide the planning and resources to support causes that are important to the Jewish community that reflect Jewish values. The Federation system provides resources and leadership in the areas of anti-Semitism and the Holocaust, caregiving, aging, philanthropy, volunteerism, education, Jewish family life and creating connections between local and global Jewish communities and Israel.

Jewish Agency for Israel ("JAFI")

The Jewish Agency for Israel ("JAFI") serves as the main link between Israel and Jewish communities in North America and around the world. The Jewish Agency connects the global Jewish family, bringing Jews to Israel and Israel to Jews by providing meaningful Israel engagement and facilitating Aliyah. The Jewish Agency builds a better society in Israel - and beyond - energizing young Israelis and their worldwide peers to rediscover a collective sense of Jewish purpose. The Jewish Agency continues to be the Jewish world's first responder, prepared to address emergencies in Israel, and to rescue Jews from countries where they are at risk.

American Jewish Joint Distribution Committee ("JDC")

The American Jewish Joint Distribution Committee ("JDC") is dedicated to strengthening the Jewish community by helping Jews in distress around the world. JDC focuses on alleviating hunger and hardship, rescuing Jews in danger, creating lasting connections to Jewish life and helping Israel overcome the social challenges of its most vulnerable citizens. JDC works to foster a sense of Jewish identity in Eastern Europe and the former Soviet Union and provides an innovative welfare and relief system for needy elderly and Holocaust survivors. JDC's reach extends beyond the global Jewish community by providing high-impact disaster relief and long-term development assistance worldwide.

Agency Services and Campus Operations

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 to run their specific programs. The Campus Corporation houses and or supports the following organizations: Jack, Joseph and Morton Mandel Building (the "Jewish Federation"), 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. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$2,581,000 and \$2,305,000, respectively.

North Campus Administration and Operations

The North Campus Administration and Operations program provides support services for information technology for Mandel JCC during the year ended June 30, 2019. During the year ended June 30, 2018, the Federation provided these support services for the Mandell JCC, CJE, and Meyer Academy. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$197,000 and \$507,000, respectively.

Agency Services

The Agency Services program provides support services for the marketing and fundraising program for the Mandel JCC, the Academy, and the CJE. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$760,000 and \$276,000, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Purpose (Continued)

Agency Services and Campus Operations (Continued)

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. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$1,001,000 and \$936,000, respectively.

Federation Operating Programs

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. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$386,000 and \$586,000, respectively.

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. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$146,000 and \$132,000, respectively.

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. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$486,000 and \$483,000, respectively.

Israel Program Center

The Israel Program Center creates opportunities for individuals of the Palm Beach Jewish community to develop authentic and meaningful engagement with, and connections, to Israel. This is accomplished through a wide variety of educational programming activities that focus on the specific needs, desires and nature of the different communities. The program for the year ended June 30, 2019 is functioning under the Commission for Jewish Education program. Total expenses for the year ended June 30, 2018 were approximately \$138,000.

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 donors, Jewish community organizations and synagogues. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$270,000 and \$215,000, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Purpose (Continued)

Federation Operating Programs (Continued)

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 to share the reasons why it is important to be involved with Federation. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$502,000 and \$654,000, respectively.

Young Adult Engagement

The Young Adult Engagement program, or NextGen, 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. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$77,000 and \$106,000, respectively.

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. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$49,000 and \$53,000, respectively.

Community Wide Services

The Community Wide Services program houses all activities related to research and analysis of the Jewish community population of the Greater Palm Beaches. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$161,000 and \$192,000, respectively.

Community Program Center

Jewish Community Relation Council

The mission of the Community Relations Council helps to ensure a vibrant Jewish future by convening, educating and mobilizing the Jewish community to (1) promote a secure Jewish and democratic State of Israel; (2) combat anti-Semitism, discrimination and bigotry; (3) foster understanding within and beyond the Jewish community; and (4) champion a just and pluralistic society. The Council builds relationships with the non-Jewish community. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$256,000 and \$309,000, respectively.

Mandel Center for Leadership Development

The vision of the Mandel Center for Leadership Development is to build a community in which the Jewish Federation of Palm Beach County creates and nourishes a culture of strong leadership. The Mandel Center encourages community members to serve as leaders for the Jewish Federation and to seek ongoing learning and development. The mission of the Mandel Center is to engage and develop high performance volunteer and professional leaders. Its goal is to recruit, inspire, train and retain leaders who have the values, commitment and skills to give high quality leadership to the Jewish Federation. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$921,000 and \$610,000, respectively.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Purpose (Continued)

Community Program Center (Continued)

Gross Family Center Program

As the number of living Holocaust survivors decreases and global antisemitism increases, the Gross Family Center for the Study of Antisemitism and the Holocaust and Jewish Federation of Palm Beach County are working together to raise awareness of the Holocaust and prejudice faced by Jewish people around the world. The Gross Family Center speaker series provides the Palm Beaches with innovative programming that explores the experiences and consequences of antisemitism, racism and violations of human rights. This speaker series is free, open to the public, and features prominent experts and international speakers, connecting community members to a significant aspect of the Jewish experience. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$46,000 and \$32,000, respectively.

Commission for Jewish Education

The Commission for Jewish Education (“CJE”) provides education, support services, and other resources to individuals, families, and institutions in order to connect community members with Jewish learning opportunities to strengthen Jewish education, and to enrich the lives of Jewish families throughout the Greater Palm Beaches. The CJE merged with the Federation effective June 30, 2018. Total expenses for the year ended June 30, 2019 was approximately \$1,336,000 Total allocations made for the year ended June 30, 2018 by the Federation to CJE were approximately \$475,000 through the allocation payable as of June 30, 2017.

Jewish Community Engagement

Literacy

The Anne & Sam Klein Literacy program, an initiative of the Jewish Volunteer Center, focuses on helping schools strengthen their existing literacy programs, as well as offer new initiatives to excite children about reading and volunteerism, while engaging volunteers from Palm Beach County. Currently, the literacy programs works with Palm Beach County Schools as well as Jewish preschools in our community. Together the following programs, Reading Express, Reading Together, Project Specialists, Tikkun Olam Toddler Program, and AfterCare Creatives engage over 250 volunteers, impact over 20 elementary schools, and enhance the lives of over 2,500 children. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$123,000 and \$83,000, respectively.

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. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$290,000 and \$265,000, respectively.

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. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$279,000 and \$204,000, respectively.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Purpose (Continued)

Jewish Community Engagement (Continued)

Synagogue Engagement

The Synagogue Engagement 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. The Synagogue Engagement program 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. Total expenses for the years ended June 30, 2019 and 2018 were approximately \$86,000 and \$63,000, respectively.

Basis of Accounting

The Federation prepares its consolidated financial statements on the accrual basis of accounting in accordance with U.S. GAAP. During the year ended June 30, 2019, the Federation adopted two accounting standards.

During the year ended June 30, 2019, the Federation adopted ASU 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash (a consensus of the FASB Emerging Issues Task Force) and Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.

ASU 2016-18 amends the 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 statements of cash flows. The Federation has applied the update retrospectively to all periods presented and adjusted the presentation of the consolidated statements of cash flows accordingly.

ASU 2016-14 amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method.

The Federation has applied the update retrospectively to all periods presented and adjusted the presentation of these consolidated financial statements accordingly. As a result, the Federation has reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions, as well as, temporarily restricted and permanently restricted net assets to net assets with donor restrictions. Additionally the Federation has reclassified its underwater endowments to net assets without donor restrictions. The adoption of this update has no other material effect on the Federation's consolidated financial position and changes in net assets. In addition, the Federation has elected to continue to present the consolidated statements of cash flows using the indirect method and has continued to include a separate consolidated statements of functional expenses in its consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Basis of Accounting (Continued)

Financial Statement Presentation

Net assets and revenues, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions. The two classes of net asset categories are as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions also include board designated funds. Gifts to donor advised funds are classified as support without restrictions. Donor advised funds comprised approximately 30% and 29% of net assets without donor restrictions at June 30, 2019 and 2018, respectively.

Net assets with donor restrictions: Net assets that are subject to explicit donor-imposed restrictions such as time and/or purpose restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Federation or by the passage of time. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently while permitting the Federation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or the Board approved spending policy. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

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. During the years ended June 30, 2019 and 2018, the Federation held restricted cash of approximately \$494,000 and \$427,000, respectively.

Annual Campaign

The Federation conducts a fundraising campaign ending June 30, and September 30, for the years ended June 30, 2019, and 2018, respectively. Pledges made during the Federation's twelve-month fiscal year, regardless of campaign years, are recorded as public support in the fiscal year the pledge is made. Fundraising campaigns may cross fiscal years.

Contributions and Pledges Receivable

Contributions received including unconditional promises to give are recorded at their fair value and are reported as an increase in net assets. The Federation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as without donor restrictions. Conditional promises to give are not included as support until such time as the conditions are substantially met.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Contributions and Pledges Receivable (Continued)

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.

Capital Campaigns

Cash and pledges receivable pertaining to the capital campaign fund include commitments with donor restrictions from various individuals to fund the construction of a school in Palm Beach Gardens for the Academy and a new headquarters for the Federation. The amounts with donor restrictions expired since construction has been completed.

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

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 and those differences could be material. 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 \$5,000. 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.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets represents prepaid insurance included in prepaids and deposits, bequests receivable, receivables related to insurance policies at cash surrender value, and interest in split interest agreements and other receivables.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 \$382,800 and \$(283,300) for the years ended June 30, 2019 and 2018, 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 \$3,582,000 and \$5,350,000 at June 30, 2019 and 2018, respectively. The liabilities of the split-interest agreements are approximately \$2,350,000 and \$3,220,000 at June 30, 2019 and 2018, 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.

Accounting Estimates

The preparation of consolidated 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 liabilities at the date of the consolidated financial statements and the reported amounts of public support and revenues during the reporting period. Actual results could differ from these estimates and those differences could be material. Material estimates that are particularly susceptible to change include the fair value of investments, the allowance for uncollectible pledges, and the functional allocation of expenses.

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 receivable 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.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Concentrations of Credit and Market Risk (Continued)

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 are valued at Net Asset Value ("NAV"), which include some Bond Mutual funds, Equity Mutual funds, Private Equity, Multi-Asset/Opportunistic funds and Real Asset funds (NOTES 3 and 4), comprise approximately 61% and 49% of total investments at June 30, 2019 and 2018, respectively. The Federation has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks.

Functional Expenses

The costs of providing the various programs 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 support services benefited. Expenses that can be directly identified with the program or supporting service are reported as expenses of those functional areas. Other expenses are allocated among program and supporting services based on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimated time and effort.

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, 2019 and 2018, 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.

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 2016.

Recent Accounting Pronouncements

Revenue From Contracts With Customers

In May 2014, the FASB issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. 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. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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. Also, the FASB has issued amendments to the update with practical expedients related to land easements and lessor accounting. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Federation's presentation of comparative periods in the consolidated financial statements will continue to be in accordance with current lease accounting. The update is effective 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 effective dates have tentatively been extended to fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. The Federation is evaluating the method of adoption it will elect.

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.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Federation is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its consolidated financial statements.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued an accounting standards update which will replace the current incurred loss impairment methodology in US GAAP with a methodology that reflects the expected credit losses. The update is intended to provide financial statement users with more decision-useful information about expected credit losses.

Also, the FASB has issued amendments to the update with transition relief intended to improve comparability of financial statement information for some entities and to decrease costs for some financial statement preparers. This update is originally effective on a modified retrospective basis for financial statements issued for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The effective dates have tentatively been extended to fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018 including interim periods in 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.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Reclassifications

Certain items in the 2018 consolidated financial statements were reclassified to conform to the 2019 presentation.

Subsequent Events

The Federation has evaluated subsequent events through December 18, 2019, which is the date the consolidated financial statements were available to be issued.

2. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Federation maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. The Federation considers all expenditures related to its ongoing activities to accomplish its mission as well as the conduct of services undertaken to support those activities to be general expenditures. Board designated reserves can be released upon resolution of the board and used for general expenditures. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Federation holds cash in various interest-bearing bank accounts with well-known financial institutions. In addition, the Federation has a \$7,500,000 line of credit of which approximately \$4,673,000 is available to meet cash flow needs.

The Federation engages qualified third-party investment advisors to invest excess cash net of working capital in instruments as stipulated under the Investment policy. The policy is reviewed quarterly by the Investment Committee. Market performance is monitored continuously including review of quarterly reports and watch list of invested funds. Furthermore, the Executive Committee as well as the Board reviews the Consolidated Statements of Financial Position and Consolidated Statements of Activities periodically.

The Federation's financial assets available within one year of the consolidated statement of financial position date for general expenditures as of June 30, 2019 are as follows:

Cash and cash equivalents	\$ 6,435,416
Investments	103,401,145
Annual campaign pledges receivable, net	6,787,048
Capital campaign pledges receivable, net	1,399,013
Other receivables	408,929
Due from estates	<u>1,141,600</u>
Total financial assets	<u>119,573,151</u>
Less amounts not available to be used within one year :	
Cash restricted for programs	493,834
Pledges to be collected in period beyond one year	1,562,147
Obligations to affiliated agencies for assets held in trust	2,978,109
Donor advised funds	27,448,184
Endowments with time or purpose restrictions	889,979
Endowments with donor restrictions	38,705,497
Funds held for supporting foundations	1,641,555
Split interest agreements	<u>3,582,164</u>
Total financial assets not available to be used for general expenditures within one year	<u>77,301,469</u>
Total financial assets available for general expenditures within one year	<u>\$ 42,271,682</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

3. INVESTMENTS

Investments consist of the following at June 30,:

	2019		
	Investments Measured at Fair Value	Investments Measured at Net Asset Value	Total
	Value	Asset Value	Total
Money market mutual funds	\$ 6,230,002	\$ -	\$ 6,230,002
Bond mutual funds	10,259,476	9,414,739	19,674,215
Equity mutual funds	19,695,067	28,717,353	48,412,420
Private equity	-	6,351,984	6,351,984
Multi-asset/opportunistic	-	14,499,425	14,499,425
State of Israel debt securities	300,082	-	300,082
Real asset funds	268,383	3,854,887	4,123,270
Common stocks	1,361,799	-	1,361,799
Bonds	2,447,948	-	2,447,948
	\$ 40,562,757	\$ 62,838,388	\$ 103,401,145
	2018		
	Investments Measured at Fair Value	Investments Measured at Net Asset Value	Total
	Value	Asset Value	Total
Money market mutual funds	\$ 4,935,135	\$ -	\$ 4,935,135
Bond mutual funds	12,149,358	3,416,282	15,565,640
Equity mutual funds	28,700,165	16,689,421	45,389,586
Private equity	-	5,951,714	5,951,714
Multi-asset/opportunistic	1,947,341	14,979,451	16,926,792
State of Israel debt securities	492,097	-	492,097
Real asset funds	244,682	8,927,236	9,171,918
Common stocks	1,082,325	-	1,082,325
Bonds	2,214,572	-	2,214,572
	\$ 51,765,675	\$ 49,964,104	\$ 101,729,779

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, 2019 and 2018, total investments include \$2,978,109 and \$2,777,934, 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."

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

3. INVESTMENTS (CONTINUED)

Investment income is shown net of custodial fees and investment management fees of \$419,296 and \$421,802 for the years ended June 30, 2019 and 2018, respectively. Investment income, net from cash equivalents and investments is comprised of the following for the years ended June 30,:

	2019	2018
Dividends and interest, net of fees	\$ 1,752,406	\$ 1,848,285
Net realized gains	1,358,265	2,499,438
Net unrealized gains	1,421,030	2,312,515
	\$ 4,531,701	\$ 6,660,238

The Federation has unfunded commitments in its Private Equity and the Real Asset Fund portfolio of approximately \$4,273,000 at June 30, 2019. 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, 2019, there are no investments subject to lock-up.

The Federation uses the 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.

The following table lists such investments:

	Net Asset Value as of 6/30/2019	Net Asset Value as of 6/30/2018	Unfunded Commitments as of 6/30/2019	Redemption Frequency	Redemption Notice Period
Multi-Asset/Opportunistic - A	\$ 14,499,425	\$ 14,979,451	\$ -	From 25% quarterly to 100% quarterly	45 to 95 days
Private Equity - B	6,351,984	5,951,714	2,343,973	None*	N/A*
Real Assets - C	3,854,887	8,927,236	1,928,700	From None* for Private Real Assets to Daily and Monthly for Public Real Assets*	0 to 30 days
Bond Mutual Funds - D	9,414,739	3,416,282	-	Monthly	5 to 10 days
Equity Mutual Funds - E	28,717,353	16,689,421	-	Monthly to Quarterly	6 to 30 days
Total	\$ 62,838,388	\$ 49,964,104	\$ 4,272,673		

*- Private equity and a portion of Real Assets represent private commitments that 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.

Investment Strategies

- A - This category includes investments in a variety of alternative investment strategies which include but are not limited to long/short, distressed, event-driven and merger arbitrage. The objective of these strategies is to provide attractive risk adjusted returns as well as diversification benefits relative to traditional investments.
- B - This category includes investments in limited partnerships that seek capital appreciation through various strategies. Private equity investments generally have long investment holding periods and are considered illiquid.
- C - This category includes both public and private investments in real estate and resource related equities, as well as public investments in treasury inflated-protected securities and commodity futures contracts. The objective of the category is to contribute to the long-term investment return objective of the portfolio while also providing protection against inflation as well as correlation benefits.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

3. INVESTMENTS (CONTINUED)

Investment Strategies (Continued)

D - This category includes investments in publicly traded fixed income mutual funds, which are intended to provide risk reduction and correlation benefits as well as a source of liquidity during periods of decline in risk assets.

E - This category includes investments in publicly traded global equity mutual funds, which are intended to be the primary source of portfolio growth over long-term periods.

4. 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, 2019 and 2018.

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 or at net asset value.

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 funds and multi-asset opportunistic funds 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.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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4. FAIR VALUE MEASUREMENTS (CONTINUED)

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 their 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 tables represents the Federation's financial instruments measured at fair value on a recurring basis at June 30, 2019 and June 30, 2018, respectively, for each of the fair value hierarchy levels:

Description	6/30/2019	Fair Value Measurements at June 30, 2019		
		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	\$ 6,230,002	\$ 6,230,002	\$ -	\$ -
Bond mutual funds	10,259,476	10,259,476	-	-
Equity mutual funds	19,695,067	19,695,067	-	-
State of Israel debt securities	300,082	-	300,082	-
Real asset funds	268,383	268,383	-	-
Common stocks	1,361,799	1,361,799	-	-
Bonds	2,447,948	2,447,948	-	-
Total assets in the fair value hierarchy	40,562,757	40,262,675	300,082	-
Investments measured at net asset value	62,838,388	-	-	-
	\$ 103,401,145	\$ 40,262,675	\$ 300,082	\$ -

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. FAIR VALUE MEASUREMENTS (CONTINUED)

Description	6/30/2018	Fair Value Measurements at June 30, 2018		
		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	\$ 4,935,135	\$ 4,935,135	\$ -	\$ -
Bond mutual funds	12,149,358	12,149,358	-	-
Equity mutual funds	28,700,165	28,700,165	-	-
Multi-asset/opportunistic	1,947,341	1,947,341	-	-
State of Israel debt securities	492,097	-	492,097	-
Real asset funds	244,682	244,682	-	-
Common stocks	1,082,325	1,082,325	-	-
Bonds	2,214,572	2,214,572	-	-
Total assets in the fair value hierarchy	51,765,675	51,273,578	492,097	-
Investments measured at net asset value	49,964,104	-	-	-
	\$ 101,729,779	\$ 51,273,578	\$ 492,097	\$ -

5. ANNUAL AND CAPITAL CAMPAIGN PLEDGES RECEIVABLE, NET

Annual Campaign

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

	2019	2018
Gross pledges receivable	\$ 7,474,086	\$ 6,215,495
Less: Allowance for doubtful accounts	(595,418)	(547,926)
Less: Discount on long-term pledges	(91,620)	(135,429)
Pledges receivable, net	\$ 6,787,048	\$ 5,532,140

Pledges receivable with payment terms in excess of one year have been discounted using a market rate of interest (approximately 1.8% and 2.6% as of June 30, 2019 and 2018, respectively) to reflect their estimated present value. Pledges receivable are unsecured and are primarily from South Florida residents.

Payments due on annual campaign pledges receivable as of June 30, 2019 are as follows:

Years Ending June 30.

2020	\$ 6,425,726
2021 - 2022	1,048,360
	\$ 7,474,086

During the years ended June 30, 2019 and 2018, the Federation recorded bad debt expense of approximately \$564,000 and \$463,000, respectively.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

5. ANNUAL AND CAPITAL CAMPAIGN PLEDGES RECEIVABLE, NET (CONTINUED)

Capital Campaign

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

	<u>2019</u>	<u>2018</u>
Gross pledges receivable	\$ 1,709,225	\$ 2,680,191
Less: Allowance for doubtful accounts	(283,656)	(248,577)
Less: Discount on long-term pledges	(26,556)	(51,182)
Pledges receivable, net	<u>\$ 1,399,013</u>	<u>\$ 2,380,432</u>

Pledges receivable with payment terms in excess of one year have been discounted using a market rate of interest (approximately 1.8% and 2.6% as of June 30, 2019, and 2018, respectively) to reflect their estimated present value. Pledges receivable are unsecured and are primarily from South Florida residents.

Payments due on capital campaign pledges receivable as of June 30, 2019 are as follows:

<u>Years Ending June 30,</u>	
2020	\$ 1,195,438
2021 - 2023	<u>513,787</u>
	<u>\$ 1,709,225</u>

During the years ended June 30, 2019 and 2018, the Federation recorded bad debt expense (recovery) of approximately \$94,000 and \$(134,000), respectively.

6. TRANSACTIONS WITH AGENCIES

Mandel Jewish Community Center

The balance due from the Mandel JCC, a beneficiary agency of the Federation was approximately \$5,266,000 and \$4,502,000 at June 30, 2019 and 2018, respectively. 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 (3.46% and 3.00% at June 30, 2019 and 2018, respectively). The note does not require principal payments. Total interest income for the years ended June 30, 2019 and 2018 was approximately \$176,000 and \$98,000, respectively.

On November 8, 2018, the Federation and the Mandel JCC entered into an amendment of the loan agreement, which allowed additional borrowings of up to \$674,000 and increased the total capacity under the loan agreement to approximately \$6,024,000.

The Federation advanced monies in prior years to the Mandel JCC in the amount of \$2,849,805. As a result of an amendment that was effective October 12, 2017, the loan to Mandell JCC became collateralized by the Mandel JCC's building and building improvements located in Palm Beach Gardens. As a result of the note receivable being collateralized with assets with a fair market value in excess of the outstanding note receivable, management eliminated the \$2,849,805 allowance on the note receivable during the year ended June 30, 2018.

Additionally, as a result of amendments 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. TRANSACTIONS WITH AGENCIES (CONTINUED)

Mandel Jewish Community Center (Continued)

The Federation also guarantees 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 under the Mandel JCC's line of credit. Should the Mandel JCC default on its interest and debt payments, the Federation is responsible for the payment.

During the year ended June 30, 2013, the Federation and the Mandel JCC entered into a 25-year land lease, of which 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 per year. During the years ended June 30, 2019 and 2018, 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)" on the Consolidated Statements of Activities. 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, then 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, whereby 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, 2019 and 2018, 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)" on the Consolidated Statements of Activities. 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.

7. PROPERTY AND EQUIPMENT, NET

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

	<u>Useful Lives</u>	<u>2019</u>	<u>2018</u>
Land	-	\$ 6,805,073	\$ 6,805,073
Land improvements	10-15 years	3,690,157	3,664,496
Buildings	30 years	33,752,483	33,679,019
Furniture and equipment	5-10 years	2,141,131	1,933,255
Computer software	5 years	346,515	322,568
Total (including equipment under capital lease of \$1,261,151 and \$1,128,694 at June 30, 2019 and 2018, respectively)		46,735,359	46,404,411
Less: Accumulated depreciation and amortization (accumulated amortization on capital leases of \$870,339 and \$684,170 at June 30, 2019 and 2018, respectively)		(11,921,192)	(10,347,100)
		<u>\$34,814,167</u>	<u>\$36,057,311</u>

Depreciation and amortization expense on property and equipment was approximately \$1,591,000 and \$1,535,000 for the years ended June 30, 2019 and 2018, respectively.

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8. PREPAIDS EXPENSES AND OTHER ASSETS

Prepays expenses and other assets consists of the following at June 30,:

	<u>2019</u>	<u>2018</u>
Due from estates	\$ 5,323,750	\$ 3,682,402
Insurance policies - cash surrender value	925,911	916,106
Prepays and deposits	458,658	490,912
Other receivables	408,929	134,544
Employee loans	87,208	97,750
Interest in split interest agreements	473,021	503,135
	<u>\$ 7,677,477</u>	<u>\$ 5,824,849</u>

9. LINE OF CREDIT

The Federation has a revolving line of credit. The credit line was reduced from \$10,000,000 to \$7,500,000 on March 29, 2019. Bank advances on the credit line carry an interest rate of 1.2% per annum plus the one-month LIBOR rate (3.50% and 3.00% at June 30, 2019 and 2018, 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, 2021. The credit line is unsecured and guaranteed by the Campus Corporation and the North Campus. At June 30, 2019 and 2018, 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, 2019 and 2018 was approximately \$95,000 and \$70,000, respectively.

The line of credit agreement requires the Federation to meet certain financial covenants. As of June 30, 2019, management of the Federation believes that they are in compliance with all of these covenants.

10. 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 runs through September 2043. Interest is paid monthly 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% (2.62% and 2.30% at June 30, 2019 and 2018, respectively). The financial institution has the option to call the loan in the three 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, 2019 and 2018, the outstanding balance on this loan was approximately \$12,895,000 and \$13,421,000, respectively.

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. LOAN PAYABLE (CONTINUED)

Approximate future principal payments on the loan payable at June 30, 2019 are due as follows:

Years ending June 30,		
2020	\$	526,000
2021		526,000
2022		526,000
2023		526,000
Thereafter		10,791,000
	\$	12,895,000

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, 2019.

During the years ended June 30, 2019 and 2018, interest of approximately \$351,000 and \$283,000, respectively, related to the loan payable was expensed and is reflected in the Consolidated Statements of Functional Expenses.

11. CAPITAL LEASES PAYABLE

The Federation leases software and equipment under capital leases expiring July 2019 through April 2023. The leases are collateralized by software and property and equipment with total costs of \$1,261,151 and \$1,128,694 at June 30, 2019 and 2018, respectively, and accumulated amortization on the capital leases of \$870,339 and \$684,170 at June 30, 2019 and 2018, respectively. The interest rate on the capital leases ranges from 1.55% to 3.05%. Interest expense on the capital leases amounted to approximately \$24,000 and \$28,000 for the years ended June 30, 2019 and 2018, respectively.

Total minimum future lease payments under the capital leases as of June 30, 2019 are as follows:

Years ending June 30,		
2020	\$	191,858
2021		171,122
2022		95,814
2023		30,188
Total minimum lease payments		488,982
Present value of net minimum capital lease payments		(28,118)
Total	\$	460,864

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30,:

	2019	2018
<i>Net assets with time or purpose restrictions:</i>		
Cash surrender values of donated life insurance policies	\$ 280,346	\$ 277,263
Appreciation in designated endowment funds not appropriated	1,258,206	589,956
Appreciation in annual campaign endowment funds not appropriated	3,024,826	3,027,247
Split-interest agreements	1,061,732	1,415,253
Annual campaign contributions for future years	1,091,237	1,156,001
Capital campaign contributions	31,571	31,571
Other funds	1,475,599	1,548,526
<i>Net assets to be held in perpetuity:</i>		
Cash surrender values of donated life insurance policies	649,355	640,643
Split-interest agreements	643,785	1,218,220
Designated endowment funds	20,287,514	20,116,507
Annual campaign endowment funds	14,294,465	13,299,191
	\$ 44,098,636	\$ 43,320,378

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.

13. ALLOCATIONS AND DISTRIBUTIONS

Allocations and distributions include the following during the years ended June 30,:

	2019	2018
The Jewish Federation of North America	\$ 3,847,605	\$ 3,943,035
Board approved agency allocations:		
Mandel Jewish Community Center of the Greater Palm Beaches, Inc.	\$ 2,172,785	\$ 2,191,785
Arthur I. Meyer Jewish Academy, Inc.	1,523,506	1,709,506
Jewish Family and Children's Service of Palm Beach County, Inc.	709,620	709,620
Commission for Jewish Education of the Palm Beaches, Inc.	-	54,400
Senior Service Subsidies	834,507	819,922
Various other agencies	360,163	492,791
Total board approved allocations (including in-kind rent allocation of approximately \$2,307,000 and \$2,293,000 for 2019 and 2018, respectively)	\$ 5,600,581	\$ 5,978,024
Distributions from Planned Giving and Endowments Funds:		
Overseas	\$ 1,251,200	\$ 932,578
Local beneficiary agency	1,136,153	1,170,001
Other local Jewish organizations	732,429	483,274
Local secular organizations	397,716	480,717
National Jewish organizations	89,033	79,394
National secular organizations	794,885	876,484
Other miscellaneous	52,432	52,719
Total distributions from Planned Giving and Endowment Funds	\$ 4,453,848	\$ 4,075,167
Total Allocations and Distributions	\$ 13,902,034	\$ 13,996,226

**JEWISH FEDERATION OF PALM BEACH COUNTY, INC.
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14. 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.

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 \$446,000 and \$395,000 for the years ended June 30, 2019 and 2018, respectively, and are included in "Pension & health" in the accompanying Consolidated Statements of Functional Expenses.

15. ENDOWMENTS

The Federation's endowments consist of individual funds established for a variety of purposes. Its endowments are comprised of funds with no restrictions, 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 net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by the FUPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

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

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15. ENDOWMENTS (CONTINUED)

For the years ended June 30, 2019 and 2018, 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, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 38,865,011	\$ 38,865,011
Board-designated endowment funds	15,008,670	-	15,008,670
Total endowment net assets	\$ 15,008,670	\$ 38,865,011	\$ 53,873,681

Summary of Endowment Net Assets at June 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 37,032,901	\$ 37,032,901
Board-designated endowment funds	15,055,766	-	15,055,766
Total endowment net assets	\$ 15,055,766	\$ 37,032,901	\$ 52,088,667

Changes in endowment net assets for the year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, June 30, 2018	\$ 15,055,766	\$ 37,032,901	\$ 52,088,667
Investment income, net	709,566	1,794,930	2,504,496
Contributions	335,445	2,092,106	2,427,551
Amounts appropriated for expenditure	(1,073,028)	(1,867,251)	(2,940,279)
Investment fees	(19,079)	(187,675)	(206,754)
Net assets, June 30, 2019	\$ 15,008,670	\$ 38,865,011	\$ 53,873,681

Changes in endowment net assets for the year ended June 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, June 30, 2017	\$ 14,259,652	\$ 35,303,585	\$ 49,563,237
Investment income, net	1,098,980	3,061,794	4,160,774
Contributions	691,694	693,520	1,385,214
Amounts appropriated for expenditure	(974,893)	(1,845,829)	(2,820,722)
Investment fees	(19,667)	(180,169)	(199,836)
Net assets, June 30, 2018	\$ 15,055,766	\$ 37,032,901	\$ 52,088,667

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15. ENDOWMENTS (CONTINUED)

Net Assets to be held in perpetuity:

	<u>2019</u>	<u>2018</u>
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by FUPMIFA	<u>\$ 35,507,804</u>	<u>\$ 33,415,697</u>

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. As of June 30, 2019 and 2018, the fair market value of donor restricted endowments that fell below the amount required to be held in perpetuity was approximately \$8,863,000 and \$8,677,000, respectively. These donor restricted endowments were below the amount required to be held in perpetuity by approximately \$926,000 and \$964,000 at June 30, 2019 and 2018, respectively. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Federation.

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.

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16. COMMITMENTS AND CONTINGENCIES

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 \$28,000. Rental income related to this tenant was approximately \$342,000 and \$333,000 for the years ended June 30, 2019 and 2018, respectively, which is reflected within "Rental income" on the Consolidated Statements of Activities.

Approximate future rental income as of June 30, 2019 is as follows:

<u>Years ending June 30,</u>	
2020	\$ 353,000
2021	<u>271,000</u>
	<u>\$ 624,000</u>

Shared Insurance Premium Commitments

In March 2016, the Federation established a shared premium insurance policy program. As of June 30, 2019, there were eight Universal life insurance policies for the benefit of the Federation with a collective face value of approximately \$2,900,000. In total, there are sixteen required premium payments of approximately \$126,000. 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 \$735,000 starting in 2021. These policies have no cash surrender value.

Litigation

The Federation is exposed to various asserted and un-asserted 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.

17. SUBSEQUENT EVENTS

Mandell JCC

On December 5, 2019 the Federation approved a letter of support to the Mandel JCC. The Federation is committed to the JCC's continued operations through June 2021.

Meyer Academy

On December 5, 2019 the Federation approved a letter of support to the Meyer Academy. The Federation continues to assist Meyer in their fundraising efforts. The Federation is committed to Meyer's continued operations through June 2021.