



The Jewish Federation
OF OMAHA

JEWISH FEDERATION OF OMAHA, INC.

Consolidated Financial Statements and
Supplemental Financial Information

June 30, 2014,
with Comparative Totals for 2013

(Together with Independent Auditors' Report)

JEWISH FEDERATION OF OMAHA, INC.



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WITH COMPARATIVE TOTALS FOR 2013**

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Independent Auditor's Report

Board of Directors
Jewish Federation of Omaha
Omaha, Nebraska

We have audited the accompanying consolidated financial statements of the Jewish Federation of Omaha, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Federation of Omaha, as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Consolidated Comparative Information

The 2013 financial statements were audited by other auditors and their report thereon, dated December 2, 2013, expressed an unmodified opinion. In our opinion, the summarized consolidated comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the consolidated audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Unrestricted Current Fund - Program Revenue by Program Service schedule, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BKD, LLP

Omaha, Nebraska
January 21, 2015



JEWISH FEDERATION OF OMAHA, INC.
 Consolidated Statement of Financial Position
 June 30, 2014
 With Comparative Totals for 2013

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2014	2013
Cash and cash equivalents	\$ 1,705,609	27,776	--	1,733,385	1,428,842
Investments	58,073,649	4,568,145	13,999,036	76,640,830	66,134,473
Pledges receivable, net	1,855,742	102,309	--	1,958,051	2,028,167
Other receivables, less allowance for doubtful accounts of \$28,595 and \$34,317 in 2014 and 2013 respectively	693,755	--	--	693,755	941,327
Beneficial interest in charitable remainder trusts assets and other split interest agreements, net	--	--	2,459,528	2,459,528	2,324,736
Other assets	322,937	--	--	322,937	309,178
Property, buildings, and equipment, net	23,128,155	--	--	23,128,155	24,621,453
Total assets	<u>\$ 85,779,847</u>	<u>4,698,230</u>	<u>16,458,564</u>	<u>106,936,641</u>	<u>97,788,176</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 515,137	--	--	515,137	469,066
Accrued expenses	745,401	--	--	745,401	769,406
Deferred revenue	449,431	--	--	449,431	550,156
Annuities and trusts payable	--	--	226,002	226,002	251,222
Custodial funds	5,530,799	--	--	5,530,799	5,184,585
Mortgage payable	909,883	--	--	909,883	1,013,036
Total liabilities	8,150,651	--	226,002	8,376,653	8,237,471
Net assets	<u>77,629,196</u>	<u>4,698,230</u>	<u>16,232,562</u>	<u>98,559,988</u>	<u>89,550,705</u>
Total liabilities and net assets	<u>\$ 85,779,847</u>	<u>4,698,230</u>	<u>16,458,564</u>	<u>106,936,641</u>	<u>97,788,176</u>

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC.

Consolidated Statement of Activities

For the Year Ended June 30, 2014

With Comparative Totals for 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2014	2013
Public support, program and investment revenue:					
Public support:					
Contributions	\$ 7,966,397	215,299	378,097	8,559,793	9,820,098
Contributions—United Way of the Midlands	161,804	--	--	161,804	138,668
Grants	427,483	24,095	--	451,578	462,080
Total public support	8,555,684	239,394	378,097	9,173,175	10,420,846
Program revenue:					
Elderly resident fees	4,689,411	--	--	4,689,411	4,326,417
Federal and state old age assistance	4,379,476	--	--	4,379,476	4,939,477
Program services	2,720,760	2,280	--	2,723,040	2,335,055
Membership dues	2,012,272	--	--	2,012,272	1,907,228
Advertising	124,500	--	--	124,500	176,561
Miscellaneous	588,047	--	--	588,047	439,491
Rental income	786,798	--	--	786,798	515,886
Total program revenue	15,301,264	2,280	--	15,303,544	14,640,115
Investment revenue:					
Change in value of split interest agreements	--	--	243,678	243,678	171,165
Investment income	98,880	101,725	1,174	201,779	181,654
Realized gain on investments, net	47,189	4,155	739	52,083	49,095
Unrealized gain on investments	6,571,655	1,930,774	223,480	8,725,909	4,305,130
Total investment revenue, net	6,717,724	2,036,654	469,071	9,223,449	4,707,044
Total public support, program and investment revenue, net	30,574,672	2,278,328	847,168	33,700,168	29,768,005
Net assets released from restrictions	2,034,377	(2,034,377)	--	--	--
Expenses:					
Program services:					
Jewish Community Center	4,974,018	--	--	4,974,018	4,604,326
Rose Blumkin Jewish Home	10,094,862	--	--	10,094,862	10,056,029
Center for Jewish Life	1,002,474	--	--	1,002,474	879,450
Jewish Family Services	469,139	--	--	469,139	482,123
Community Relations Committee	491,807	--	--	491,807	632,730
Jewish Senior Outreach	493,978	--	--	493,978	561,285
Jewish Press	335,307	--	--	335,307	339,165
Jewish Federation and Foundation	365,529	--	--	365,529	392,115
Federation Manor, Inc.	586,799	--	--	586,799	402,327
Total program services	18,813,913	--	--	18,813,913	18,349,550
Supporting services:					
Management and general	533,323	--	--	533,323	363,679
Federation fund raising	447,807	--	--	447,807	532,726
Foundation fund raising	441,631	--	--	441,631	385,255
Total supporting services	1,422,761	--	--	1,422,761	1,281,660
Contributions to nonprofit organizations and assistance:					
Jewish Federations of North America	915,100	--	--	915,100	1,056,261
Other	3,539,111	--	--	3,539,111	2,641,134
Total contributions	4,454,211	--	--	4,454,211	3,697,395
Total expenses	24,690,885	--	--	24,690,885	23,328,605
Change in restrictions	(49,629)	2,907	46,722	--	--
Change in net assets	7,868,535	246,858	893,890	9,009,283	6,439,400
Net assets at beginning of year	69,760,661	4,451,372	15,338,672	89,550,705	83,111,305
Net assets at end of year	\$ 77,629,196	4,698,230	16,232,562	98,559,988	89,550,705

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC.

Consolidated Statement of Cash Flows
For the Year Ended June 30, 2014
With Comparative Totals for 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 9,009,283	6,439,400
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions and investment income -		
Temporarily restricted for property, buildings, and equipment	(9,968)	(42,575)
Permanently restricted for endowment	(378,097)	(371,233)
Beneficial interest in charitable remainder trusts assets	--	(207,910)
Change in value of split interest agreements, net	(134,792)	(171,165)
Realized gain on investments	(52,083)	(2,115,777)
Change in unrealized gain on investments	(8,725,909)	(1,744,856)
Depreciation	1,767,209	1,840,790
Decrease (increase) in:		
Pledges receivable	70,116	227,253
Other receivables	247,572	140,621
Other assets	(13,759)	(100,937)
Increase (decrease) in:		
Accounts payable	46,071	4,578
Accrued expenses	(24,005)	(96,071)
Deferred revenue	(100,725)	118,957
Annuities and trusts payable	(25,220)	--
Custodial funds, net	346,214	542,665
Net cash provided by operating activities	<u>2,021,907</u>	<u>4,463,740</u>
Cash flows from investing activities:		
Purchase of property, buildings, and equipment, net	(273,910)	(750,360)
Purchase of investments	(3,970,532)	(7,586,735)
Proceeds from maturities and sales of investments	2,242,166	3,477,490
Net cash used in investing activities	<u>(2,002,276)</u>	<u>(4,859,605)</u>
Cash flows from financing activities:		
Principal payments on mortgage payable	(103,153)	(61,254)
Contributions and investment income -		
Temporarily restricted for property, buildings, and equipment	9,968	42,575
Permanently restricted for endowment	378,097	371,233
Net cash provided by financing activities	<u>284,912</u>	<u>352,554</u>
Increase (decrease) in cash and cash equivalents	304,543	(43,311)
Cash and cash equivalents at beginning of year	<u>1,428,842</u>	<u>1,472,153</u>
Cash and cash equivalents at end of year	<u>\$ 1,733,385</u>	<u>1,428,842</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 130,279	96,352

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC.

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2014

With Comparative Totals for 2013

	Program Services													
	Jewish Community Center			Rose Blumkin Jewish Home			Center for Jewish Life	Jewish Family Services	Community Relations Committee	Jewish Senior Outreach	Jewish Press	Jewish Federation and Foundation	Federation Manor, Inc.	Total carried forward
	Program and Services	General	Total	Program and Services	General	Total								
Salaries—professional	\$ 636,402	331,721	968,123	--	261,012	261,012	189,045	256,077	194,738	--	116,006	--	--	1,985,001
Salaries—program	1,271,625	97,647	1,369,272	4,799,228	141,146	4,940,374	--	--	--	204,803	25,804	5,861	--	6,546,114
Employee health and benefits	197,188	30,089	227,277	518,244	49,230	567,474	26,112	15,998	20,113	23,806	10,200	--	--	890,980
Payroll taxes	167,389	36,527	203,916	536,027	34,071	570,098	14,592	20,858	14,979	20,374	11,634	--	--	856,451
Total salaries and related expenses	2,272,604	495,984	2,768,588	5,853,499	485,459	6,338,958	229,749	292,933	229,830	248,983	163,644	5,861	--	10,278,546
Program operating costs	276,141	79,610	355,751	1,313,275	26,659	1,339,934	80,262	28,994	157,042	156,132	13,667	312,398	284,549	2,728,729
Occupancy	--	957,510	957,510	554,072	--	554,072	35,551	14,072	19,873	--	12,102	11,893	92,106	1,697,179
Accounting and central services	--	244,996	244,996	--	197,572	197,572	90,657	50,187	54,270	28,027	53,736	--	76,144	795,589
Professional fees	11,398	435	11,833	31,587	32,173	63,760	108,099	--	--	--	5,615	--	--	189,307
Mortgage interest	--	--	--	--	--	--	--	--	--	--	--	--	130,279	130,279
Supplies	57,529	26,339	83,868	89,414	103,162	192,576	1,522	5,580	1,698	11	860	--	--	286,115
Printing and publications	7,197	13,543	20,740	--	--	--	4,152	1,643	1,509	--	40,681	--	--	68,725
Assistance to organizations	--	--	--	--	--	--	57,086	--	--	--	--	27,004	--	84,090
Local transportation	5,103	--	5,103	60,769	6,342	67,111	7,878	116	1,091	44,572	--	--	--	125,871
Assistance to individuals	--	--	--	--	--	--	296,765	43,150	--	2,366	--	8,373	--	350,654
Dues	5,445	41,592	47,037	5,498	18,917	24,415	53,820	2,505	431	--	2,475	--	--	130,683
Postage and shipping	1,551	2,774	4,325	7,864	3,537	11,401	2,170	2,021	83	812	25,002	--	--	45,814
Laundry	23,820	565	24,385	--	--	--	--	--	--	--	--	--	--	24,385
Conferences, conventions, and meetings	4,647	1,490	6,137	7,691	12,909	20,600	--	2,949	4,769	--	--	--	--	34,455
Telephone	54	1,686	1,740	12,839	7,761	20,600	594	514	225	613	222	--	--	24,508
Miscellaneous	2,264	5,129	7,393	20,833	32,465	53,298	109	6,075	829	3,257	2,160	--	--	73,121
Total expenses before depreciation	2,667,753	1,871,653	4,539,406	7,957,341	926,956	8,884,297	968,414	450,739	471,650	484,773	320,164	365,529	583,078	17,068,050
Depreciation	384,633	49,979	434,612	1,210,565	--	1,210,565	34,060	18,400	20,157	9,205	15,143	--	3,721	1,745,863
Total expenses	\$ 3,052,386	1,921,632	4,974,018	9,167,906	926,956	10,094,862	1,002,474	469,139	491,807	493,978	335,307	365,529	586,799	18,813,913

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC.
 Consolidated Statement of Functional Expenses
 For the Year Ended June 30, 2014
 With Comparative Totals for 2013

	Program Services Total Brought Forward	Supporting Services			Total	Total	
		Management and General	Jewish Federation Fund- raising	Jewish Foundation Fund- raising		2014	2013
Salaries—professional	\$ 1,985,001	356,638	208,010	244,927	809,575	2,794,576	2,599,393
Salaries—program	6,546,114	9,838	137	37,494	47,469	6,593,583	6,312,472
Employee health and benefits	890,980	35,570	15,816	11,314	62,700	953,680	836,685
Payroll taxes	856,451	20,997	15,810	21,813	58,620	915,071	900,905
Total salaries and related expenses	10,278,546	423,043	239,773	315,548	978,364	11,256,910	10,649,455
Program operating costs	2,728,729	17,392	30,062	21,995	69,449	2,798,178	2,693,270
Occupancy	1,697,179	46,530	--	11	46,541	1,743,720	1,490,156
Accounting and central services	795,589	--	165,529	76,638	242,167	1,037,756	1,074,398
Professional fees	189,307	5,542	109	1,919	7,570	196,877	313,795
Mortgage interest	130,279	--	--	--	--	130,279	96,352
Supplies	286,115	3,906	3,712	4,514	12,132	298,247	321,686
Printing and publications	68,725	2,847	705	6,295	9,847	78,572	95,673
Assistance to organizations	84,090	--	--	--	--	84,090	125,885
Local transportation	125,871	234	--	155	389	126,260	143,519
Assistance to individuals	350,654	199	--	--	199	350,853	448,960
Dues	130,683	2,354	--	1,220	3,574	134,257	76,300
Postage and shipping	45,814	1,802	2,221	2,486	6,509	52,323	60,294
Laundry	24,385	--	--	--	--	24,385	32,078
Conferences, conventions, and meetings	34,455	7,579	4,608	8,991	21,178	55,633	55,219
Telephone	24,508	--	680	--	680	25,188	19,959
Miscellaneous	73,121	549	408	1,859	2,816	75,937	93,421
Total expenses before depreciation	17,068,050	511,977	447,807	441,631	1,401,415	18,469,465	17,790,420
Depreciation	1,745,863	21,346	--	--	21,346	1,767,209	1,840,790
Total expenses	\$ 18,813,913	533,323	447,807	441,631	1,422,761	20,236,674	19,631,210

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC.

Notes to Consolidated Financial Statements

June 30, 2014

with Comparative Totals for 2013

1) Principles of Consolidation and Summary of Significant Accounting Policies

The following indicates principles of consolidation and provides a summary of significant accounting policies. These policies are in accordance with accounting principles generally accepted in the United States of America.

(a) *Principles of Consolidation*

The consolidated financial statements include the accounts of the Jewish Federation of Omaha, Inc. and its affiliated entities, Federation Manor, Inc.; Jewish Federation of Omaha Foundation; and the Pardes Foundation (collectively, the Federation). The Jewish Federation of Omaha, Inc. is a not-for-profit corporation created to provide for the social, educational, and welfare activities of the Jewish Community of Omaha through constituent agencies and supports activities of the national and international Jewish community. The Federation Manor, Inc. owns and operates a 52-unit apartment complex for the elderly, funded in part by the U.S. Department of Housing and Urban Development (HUD). The Jewish Federation of Omaha Foundation and the Pardes Foundation are supporting organizations of the Jewish Federation of Omaha, Inc. All significant intercompany balances and transactions have been eliminated.

(b) *Basis of Presentation*

The Federation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Federation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets:

- *Permanently restricted net assets*—net assets and contributions subject to donor-imposed stipulations that they be maintained permanently by the Federation. Generally, the donors of these assets permit the Federation to use all or part of the income earned on these assets.
- *Temporarily restricted net assets*—net assets and contributions subject to donor-imposed stipulations that can be fulfilled by actions of the Federation and/or by the passage of time.
- *Unrestricted net assets*—net assets and contributions that are not subject to donor-imposed stipulations. Unrestricted net assets also include assets designated for specific purposes by action of the Board of Directors or limited by contractual agreements with outside parties.

(c) *Use of Estimates*

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



JEWISH FEDERATION OF OMAHA, INC.

Notes to Consolidated Financial Statements

June 30, 2014

with Comparative Totals for 2013

(d) *Cash and Cash Equivalents*

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. Cash and cash equivalents representing permanently restricted assets and annuity and life income funds are included in investments.

(e) *Investments and Investment Return*

Investments in equity securities and mutual funds with readily determinable fair values and all investments in debt securities are measured at fair value based on published or quoted market prices in the consolidated statement of financial position with gains and losses included in the consolidated statement of activities. Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. Real estate investments are valued at appraised value. Insurance policies are valued at cash surrender value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains on other investments.

Alternative investments, limited liability partnerships and corporations, are valued by management based on net asset value per share that is compiled by fund administrators determined on an accrual basis of accounting. Net asset value per shares are determined as follows: (1) securities that are listed on a national securities exchange or traded over the counter and are freely transferable are valued at their last sales price on the date of determination, or, if no sales occurred on such day, at the "bid" price at the close of business on such day quoted by the National Association of Securities Dealers, Inc.'s Automatic Quotation System, or, if not quoted on such system, by one of the principal market makers in such securities; (2) investments in managed accounts or investment partnerships, are valued utilizing the most recent relevant information or performance reports of any such managed account or investment partnership; and (3) all other securities are challenged for reasonableness of the assumptions and methodology used by managers to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions. The Federation maintains pooled investment accounts for its endowment. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest on each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

(f) *Resident Accounts Receivable*

The Federation reports resident accounts receivable for services rendered at net realizable amounts from third-party payers, residents and others. The Federation provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the residents, the Federation bills third-party payers directly and bills the residents when the resident's liability is determined. Resident accounts



JEWISH FEDERATION OF OMAHA, INC.

Notes to Consolidated Financial Statements

June 30, 2014

with Comparative Totals for 2013

receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. Resident accounts receivable are recorded within Other Receivables on the statement of financial position.

(g) Beneficial Interest in Charitable Remainder Trusts Assets and Other Split Interest Agreements, net

The Federation has been named the beneficiary of several irrevocable charitable remainder trust agreements in which the Federation will receive certain funds upon termination of each trust. The Federation recognizes contribution revenue for charitable remainder trusts at the present value of the estimated future benefits to be received. The Federation recognizes contribution revenue in the period in which the trusts are established or when they receive notice of the trust's existence. Adjustments to the receivable to reflect amortization of the discount, revaluation of the present value of the estimated future payments to the beneficiary, and changes in actuarial assumptions during the term of the trust are recognized as a change in the value of split interest agreements. Upon the death of the beneficiary, the receivable is closed, the assets received from the trust are recognized at fair value, and any difference is reported as a change in the value of split interest agreements.

(h) Property, Buildings, and Equipment, net

Property, buildings, and equipment are recorded at cost. The Federation maintains a capitalization policy of \$2,500. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method based on the following lives:

Land improvements	10 – 15 Years
Buildings and improvements	10 – 50 Years
Furniture and fixtures	5 – 10 Years
Vehicles	3 – 5 Years

Maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of assets sold or disposed of are removed from the accounts, and the resulting gain or loss is included in the consolidated statement of activities.

Gifts of long-lived assets such as land, buildings or equipment are reported as contributions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

The Federation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of the long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2014.



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(i) ***Deferred Revenue***

Community Center membership dues and program service fees received in advance are reflected as deferred revenue and recognized ratably as revenue over the period when the related services are rendered.

(j) ***Custodial Funds***

The Federation holds assets in trust for various organizations in a fiduciary capacity. The Federation manages the assets and can only make distributions at the request of the owners. The assets are included in investments and liabilities in custodial funds on the consolidated statement of financial position. Custodial funds are listed below.

	<u>2014</u>	<u>2013</u>
Schrager Supporting Foundation	\$ 3,013,888	2,955,433
Goldstein Supporting Foundation	2,107,653	1,884,036
Others	<u>409,258</u>	<u>345,116</u>
Total	<u>\$ 5,530,799</u>	<u>5,184,585</u>

(k) ***Net Resident Service Revenue***

The Federation has agreements with third-party payers that provide for payments to the Federation at amounts different from its established rates. Net resident service revenue is reported at the estimated net realizable amounts from residents, third-party payers and others for services rendered and includes estimated retroactive adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

(l) ***Contributions***

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is treated as cost basis. Conditional promises to give and indications of intentions to give are reported at fair value at the date when the conditions are substantially met and the gift becomes unconditional. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using an interest rate commensurate with risk applicable to the years in which the



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promises are received. Amortization of the discounts is included in contribution revenue. Donated property is recorded at fair market value on the date it is received or pledged. It is then carried at the lower of donated or current market value.

(m) Functional Expenses

The costs of providing the various programs or activities of the Federation have been summarized on a functional basis in the consolidated statement of functional expenses. Certain expenses, such as accounting and central services, occupancy, and depreciation, are systematically allocated to the individual agencies and programs benefited.

(n) Contributions to Non-Profit Organizations and Assistance Expense

The Federation makes contributions to synagogues and Jewish academies, awards various scholarships, and provides support to needy individuals. The Federation also makes contributions to the Jewish Federations of North America and other non-profit organizations. These contributions to individuals and organizations are recognized as expense in the period made.

(o) Concentration of Credit Risk

Financial instruments that potentially subject the Federation to the concentrations of credit risk include cash and cash equivalents, investments, and contributions receivable. Investments and cash and cash equivalents are managed within guidelines established by the Board of Directors which, as a matter of policy, limit the amounts that may be invested with one issuer. Concentrations of credit risk with respect to contributions receivable are limited since amounts are due from a number of individual donors or corporations.

Cash and cash equivalents consist of deposits in excess of Federal Deposit Insurance Corporation limits. Management believes the risks related to these deposits are minimal.

(p) Income Taxes

The Federation is a not-for-profit corporation as described in Section 501(c)(3) of the Code and has received a determination letter that it is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In 2014, the Federation realized certain income which the Internal Revenue Service considers to be unrelated business income subject to income tax. For the years ended June 30, 2014 and 2013, \$ -0- and \$64,000, respectively, is recorded as a tax liability and included within accrued expenses in the consolidated statement of financial position. The Internal Revenue Service has established standards to be met to maintain the Federation's tax exempt status. In general, such standards require the Federation to meet a community benefits standard and comply with various laws and regulations.

The Federation accounts for uncertainties in accounting for income tax assets and liabilities using guidance included in FASB ASC 740, *Income Taxes*. The Federation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. At June 30, 2014 and 2013, the Federation had no uncertain tax positions accrued.



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The Federation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Federation believes it is no longer subject to income tax examinations for years prior to 2010.

(q) *Fair Value of Certain Assets and Liabilities*

The Federation applies the provisions included in FASB ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At June 30, 2014, there were no nonfinancial assets or liabilities measured at fair value in the financial statements on a nonrecurring basis.

Financial instruments consist of cash and cash equivalents, investments, accounts receivable, current liabilities and debt obligations. Management's estimate of fair value of investments is described in Note 2. The carrying amounts reported in the consolidated statement of financial position for cash and cash equivalents, accounts receivable and current liabilities approximate fair value due to the short-term nature of these financial instruments. The carrying value of debt obligations approximates fair value since the interest rates and related rent subsidies closely reflect current market rates, including financing costs.

(r) *Transfers Between Fair Value Hierarchy Levels*

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

(s) *Comparative Amounts*

The amounts shown for 2013 in the accompanying consolidated financial statement are included to provide a basis for comparison with 2014, and are not intended to present all information necessary for a fair presentation of the 2013 financial statements in conformity with accounting principles generally accepted in the United States of America.

(t) *Subsequent Events*

The Federation considered events occurring through January 21, 2015 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(u) *Reclassifications*

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 reporting format. These reclassifications had no effect on change in net assets.



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2) Investments

Fair Value Measurements

The Federation applies FASB ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Topic 820 establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Federation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through either corroboration or observable market data.
- Level 3 inputs are unobservable inputs for the asset or liability through either corroboration or observable market data.

The consolidated financial statements as of and for the year ended June 30, 2014 do not include any nonrecurring fair value measurements relating to assets and liabilities for which the Federation has adopted the provisions of ASC Topic 820.

The following methods and assumptions were used to estimate the fair value for each financial instrument measured at fair value. There have been no significant changes in the valuation techniques during the year ended June 30, 2014.

Investment Securities: The fair value of investment securities including equity or bond funds, common stock, money market funds, certificates of deposit, U.S. government bonds, State of Israel bonds, and corporate bonds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. When quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Securities valued based on market prices provided by recognized broker dealers are classified with Level 2. Market prices provided by these broker dealers are based on inputs such as market-based or independently sourced market parameters including but not limited to yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows.

Alternative Investment – Chicago PEP: The fair value of the Federation's investment position in the alternative investment – Chicago PEP is based on the Federation's percentage ownership of the Jewish Federation of Metropolitan Chicago Pooled Endowment Portfolio, LLC (Chicago PEP). A portion of the underlying net assets of the Chicago PEP are comprised of readily marketable securities which are valued based on quoted market prices, when available, or market prices provided by recognized broker dealers. A portion of underlying investments are non-marketable securities whose fair values have been estimated by the management and/or administrators of the underlying private investment companies.



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These estimated fair values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for these investments existed. There are no unfunded commitments related to this investment.

Alternative Investment – Other: The fair value of other alternative investments is the reported ownership percentage of underlying assets within the equity limited partnership as valued based on observable quoted market prices. There are no unfunded commitments related to this investment.

Alternative Investments – Jewish Community Endowment Pool (Boston JCEP): The fair value of the Federation’s investment position in the alternative investment – Boston JCEP is based on the Federation’s percentage ownership of the total pool of the Jewish Community Endowment Pool. A portion of the underlying net assets of the JCEP are comprised of readily marketable securities which are valued based on quoted market prices, when available, or market prices provided by recognized broker dealers. A portion of underlying investments are non-marketable securities whose fair values have been estimated by the management and/or administrators of the underlying private investment companies. These estimated fair values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for these investments existed. There are no unfunded commitments related to this investment.

Real Estate: The fair value of real estate is the market value using the Federation’s own assumptions about market participant pricing of the asset based upon sales of similar assets in local markets.

Insurance Cash Value: The fair value of insurance policies, which the Federation is the beneficiary, is the cash surrender value as reported by the insurance company at or near the measurement date.

The following table presents the balance of investment securities measured at fair value on a recurring-basis at June 30, 2014 and 2013:

	2014				
	Cost	Fair Value			
		Total	Level 1	Level 2	Level 3
Alternative investment - Chicago PEP	\$ 41,681,524	58,255,425	–	–	58,255,425
Bond funds	1,794,446	2,057,821	2,057,821	–	–
Corporate bonds	2,650,608	2,733,899	–	2,733,899	–
U.S. government bonds	394,038	401,781	–	401,781	–
Alternative investment - other	619,468	1,580,907	–	1,580,907	–
Money market funds and certificates of deposit	2,859,269	2,615,103	2,615,103	–	–
State of Israel bonds	450,000	450,000	–	450,000	–
Alternative investment - Boston	5,651,039	6,314,569	–	–	6,314,569
Common stocks	1,462,338	1,988,385	1,988,385	–	–
Insurance cash value	242,940	242,940	242,940	–	–
	<u>\$ 57,805,670</u>	<u>76,640,830</u>	<u>6,904,249</u>	<u>5,166,587</u>	<u>64,569,994</u>



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	2013				
	Cost	Fair Value			
		Total	Level 1	Level 2	Level 3
Alternative investment - Chicago PEP	\$ 42,581,524	50,705,187	-	-	50,705,187
Bond funds	2,876,955	2,869,405	2,869,405	-	-
Corporate bonds	2,520,003	2,568,003	-	2,568,003	-
U.S. government bonds	597,193	620,981	-	620,981	-
Alternative investment - other	619,468	1,489,996	-	1,489,996	-
Money market funds and certificates of deposit	1,486,863	1,486,863	1,486,863	-	-
State of Israel bonds	450,000	450,000	-	450,000	-
Alternative investment - Boston	3,631,039	3,830,863	-	-	3,830,863
Common stocks	1,584,147	1,904,332	1,904,332	-	-
Insurance cash value	208,845	208,843	208,843	-	-
	<u>\$ 56,556,037</u>	<u>66,134,473</u>	<u>6,469,443</u>	<u>5,128,980</u>	<u>54,536,050</u>

Reconciliation of Level 3 assets for the year ended June 30, 2014 and 2013:

	Alternative Investment - Chicago PEP	Alternative Investment - Boston JCEP	Alternative Investment - Hedge Funds	Real Assets	Total
Balance June 30, 2012	\$ 46,816,672	1,007,331	37,980	400,000	48,261,983
Additions	-	2,550,000	-	-	2,550,000
Withdrawals	(562,000)	-	(16,556)	(400,000)	(978,556)
Unrealized gain (loss)	4,450,515	273,532	(21,424)	-	4,702,623
Balance June 30, 2013	\$ 50,705,187	3,830,863	-	-	54,536,050
Additions	-	2,020,000	-	-	2,020,000
Withdrawals	(900,000)	-	-	-	(900,000)
Unrealized gain (loss)	8,450,238	463,706	-	-	8,913,944
Balance June 30, 2014	\$ <u>58,255,425</u>	<u>6,314,569</u>	<u>-</u>	<u>-</u>	<u>64,569,994</u>

Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date

Year ended June 30, 2014	\$ <u>8,450,238</u>	<u>463,706</u>	<u>-</u>	<u>-</u>
Year ended June 30, 2013	\$ <u>4,450,515</u>	<u>273,532</u>	<u>-</u>	<u>-</u>

A summary of all Federation investments as of June 30, 2014 and 2013 is as follows:

	2014			2013
	Chicago PEP	Other	Total	
Alternative investments	19.78%	10.31%	30.09%	29.13%
Equities	27.57%	2.59%	30.16%	28.73%
Money market funds and certificates of deposit	2.93%	3.75%	6.68%	4.20%
Fixed income-government and corporate	9.19%	6.43%	15.62%	19.44%
Real assets and other	16.54%	0.32%	16.86%	17.82%
State of Israel bonds	0.00%	0.59%	0.59%	0.68%
	<u>76.01%</u>	<u>23.99%</u>	<u>100.00%</u>	<u>100.00%</u>



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		<u>2014 Fair Value</u>	<u>2013 Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Alternative investments -						
Chicago Pooled Endowment Portfolio (a)	\$	58,255,425	50,705,187	None		See (a) below.
Other (b)		1,580,907	1,489,996	None		See (b) below.
Boston JCEP (c)		6,314,569	3,830,863	None		See (c) below.

Description of Alternative Investments

The following describes the Federation's alternative investments:

- a) Alternative Investments-Jewish Federation of Metropolitan Chicago Pooled Endowment Portfolio, LLC. (Chicago PEP) – On January 1, 2009, the Federation initiated an investment position in the Jewish Federation of Metropolitan Chicago Endowment Portfolio. This investment position was not independently incorporated from the Jewish Federation of Metropolitan Chicago nor was it a disjointedly managed partnership, but a separate division within that organization holding a portfolio of investments. On July 1, 2011, the Jewish Federation of Metropolitan Chicago transferred its endowment portfolio to a newly formed limited liability company, the Jewish Federation of Metropolitan Chicago Pooled Endowment Portfolio, LLC (Chicago PEP). The Federation, along with other divisions within the Jewish Federation of Metropolitan Chicago, other Chicago based Jewish charities, and other unrelated Jewish Federations across the United States, shares in the investment performance of the portfolio based on its percentage of ownership of the Chicago PEP. The Jewish Federation of Metropolitan Chicago is the manager of the Chicago PEP.

Contributions to and withdrawals from the Chicago PEP are allowed monthly. Withdrawals of more than 40% of the investor's asset position are paid an amount equal to 50% of the redemption request within 60 days of the redemption date. Of the remaining balance, 50% is paid on the next anniversary date and the remaining balance paid equally on each of the next six anniversary dates. Redemptions can be suspended during any period when the redemption of capital would not be reasonable or practicable or would be prejudicial to the non-redeeming Members, at the sole discretion of Chicago PEP manager. The Chicago PEP can be dissolved at any time, at the sole discretion of Chicago PEP manager.

The Chicago PEP invests in over one hundred funds as well as, commodities, partnerships and limited liability corporations. In addition to the risks normally associated with investing activities, many of the investments are alternative investments, including hedge funds, with a variety of related risks and liquidity attributes potentially impacted by underlying lock up restrictions and counterparty credit risks. Valuations depend upon net asset values per share as compiled by management of the hedge funds. A portion of underlying investments are non-marketable securities whose fair values have been estimated by the management and/or administrators of the underlying private investment companies. These estimated fair values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for these investments existed. In addition, as an indirect beneficiary, the Federation does not have direct ownership in the underlying assets limiting the ability to



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independently verify value, assess risk or liquidate investment positions. Since the manager of the Chicago PEP is the Jewish Federation of Metropolitan Chicago, the Federation's investment could also be exposed to risks associated with actions of the Jewish Federation of Metropolitan Chicago.

- b) Alternative Investments-Other – The Federation is invested in an equity limited partnership as of June 30, 2014. This partnership's investments in securities are highly concentrated in a limited number of publicly traded U.S. common stocks. The substantial size of these positions could affect the partnership's ability to sell the investments without affecting market price which could affect liquidity and/or sales price. Liquidity of this investment is also affected by withdrawal restrictions, limiting withdrawals to semi-annual distributions.
- c) Alternative Investments-Jewish Community Endowment Pool (Boston JCEP) – On March 1, 2012, the Federation initiated an investment position in the Jewish Community Endowment Pool. (Boston JCEP) The Boston JCEP is organized as a limited liability partnership. The Federation, along with other nonprofit corporations, shares in the investment performance of the pool based on its relative investment balance. Contributions to and withdrawals from the pooled endowment portfolio are allowed with written consent of other partners in the pool. Withdrawal of the entire investor's asset position requires 92 days advance notice. In the event of such a withdrawal, the partnership reserves the right to delay distribution if necessary to liquidate partnership investments.

The Boston JCEP invests in over fifty funds, partnerships and limited liability corporations. In addition to the risks normally associated with investing activities, many of the investments are alternative investments, including hedge funds, with related risks and liquidity attributes potentially impacted by underlying lock up restrictions and counterparty credit risks. Valuations depend upon net asset values per share as compiled by management of the hedge funds. A portion of underlying investments are non-marketable securities whose fair values have been estimated by the management and/or administrators of the underlying private investment companies. These estimated fair values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for these investments existed. In addition, as an indirect beneficiary, the Federation does not have direct ownership in the underlying assets limiting the ability to independently verify value, assess risk or liquidate investment positions.

- d) Alternative Investment – Hedge funds – The Federation does not have direct investments in hedge funds. The Chicago PEP and Boston JCEP investment pools in which the Federation is an investor do hold hedge fund investments. A portion of underlying investments in these hedge funds are non-marketable securities whose fair values have been estimated by the management and/or administrators of the underlying private investment companies. These estimated fair values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for these investments existed.



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Unrealized Gains and Losses

The following is a reconciliation of unrealized gains (losses) for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Net unrealized gains at beginning of year	\$ 9,578,436	7,407,267
Net unrealized gains at end of year	<u>18,835,161</u>	<u>9,578,436</u>
Total change in unrealized gains (losses)	9,256,725	2,171,169
Change in unrealized gains (losses) attributable to custodial funds	<u>530,816</u>	<u>426,313</u>
Net change in unrealized gains (losses)	<u>\$ 8,725,909</u>	<u>1,744,856</u>

3) Endowment

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) was enacted April 4, 2007. NUPMIFA sets out guidelines to be considered when managing and investing donor restricted endowment funds.

Federation endowments consist of funds established to invest permanently restricted donations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments and beneficial interest in trust assets, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Federation has interpreted NUPMIFA as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any donor-imposed restrictions, interest, dividends and net appreciation or depreciation of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by NUPMIFA.

In accordance with NUPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Federation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation



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- The expected total return from income and the appreciation of investments
- Other resources of the Federation
- The investment policies of the Federation

The composition of net assets by type of endowment fund at June 30, 2014 and 2013 was:

		2014			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$	1,985,276	4,111,805	13,999,036	20,096,117
Board-designated endowment funds		1,544,620	--	--	1,544,620
Total endowment funds	\$	<u>3,529,896</u>	<u>4,111,805</u>	<u>13,999,036</u>	<u>21,640,737</u>
		2013			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$	695,660	3,713,777	13,265,158	17,674,595
Board-designated endowment funds		1,392,690	--	--	1,392,690
Total endowment funds	\$	<u>2,088,350</u>	<u>3,713,777</u>	<u>13,265,158</u>	<u>19,067,285</u>

The following tables present the changes in endowment balances for the years ended June 30, 2014 and 2013:

		2014			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$	2,088,350	3,713,777	13,265,158	19,067,285
Investment return -					
Investment income		8,451	99,494	1,174	109,119
Net realized gain		5,708	3,173	739	9,620
Net unrealized gain		411,928	1,901,468	223,480	2,536,876
Fees		--	--	--	--
Total investment return		<u>426,087</u>	<u>2,004,135</u>	<u>225,393</u>	<u>2,655,615</u>
Appropriation of endowment assets for expenditure and reclass between restrictions		<u>1,015,459</u>	<u>(1,624,077)</u>	<u>46,722</u>	<u>(561,896)</u>
Contributions		<u>--</u>	<u>17,970</u>	<u>461,763</u>	<u>479,733</u>
Net assets, end of year	\$	<u>3,529,896</u>	<u>4,111,805</u>	<u>13,999,036</u>	<u>21,640,737</u>



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	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 1,774,709	3,673,862	12,800,376	18,248,947
Investment return -				
Investment income	32,736	237,374	14,314	284,424
Net realized gain	8,363	589,097	60,998	658,458
Net unrealized gain	333,285	42,443	42,578	418,306
Fees	(20,995)	(8,153)	(2,712)	(31,860)
Total investment return	<u>353,389</u>	<u>860,761</u>	<u>115,178</u>	<u>1,329,328</u>
Appropriation of endowment assets for expenditure and reclass between restrictions	<u>(83,938)</u>	<u>(849,955)</u>	<u>(10,027)</u>	<u>(943,920)</u>
Contributions	<u>44,190</u>	<u>29,109</u>	<u>359,631</u>	<u>432,930</u>
Net assets, end of year	\$ <u>2,088,350</u>	<u>3,713,777</u>	<u>13,265,158</u>	<u>19,067,285</u>

At June 30, 2014 and 2013, the Federation had appropriated temporarily restricted endowment assets in excess of available earnings from the endowed funds in the cumulative amount of approximately \$226,723 and \$507,351, respectively.

See Note 9 for a summary of net assets by restriction.

Return Objectives and Risk Parameters

The Federation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while complying with all donor-imposed restrictions. Under this policy, as approved by the Board, the endowment assets are invested in a manner that seeks to maximize total returns over long periods of time primarily through capital appreciation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Federation relies on a total return strategy in which investment returns are achieved primarily through an asset portfolio managed by the professional investment management staff of the Chicago PEP and assets purchased on the advice of other investment experts.

Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

The Federation preserves the whole dollar value of the original gift as of the gift date of donor-restricted endowments, absent explicit donor stipulations to the contrary. Investment income and net appreciation of the donor-restricted endowment funds are deemed appropriated for expenditure when available to be spent.

This spending policy does not apply if the donor otherwise defines or restricts the spendable income of a specific fund. Most of the Federation's endowment funds have donor specified restrictions.



JEWISH FEDERATION OF OMAHA, INC.

Notes to Consolidated Financial Statements

June 30, 2014

with Comparative Totals for 2013

The current policy sets the payout rate at 5.6% of the market value based on the average of the previous 16 quarters. For most endowment funds this rate is applied after shifting 15% of investment income and net appreciation or depreciation to the permanent endowment, according to the donor agreement. The payout rate is 4% in the case of endowment funds for which the Federation considers it prudent to limit distributions in compliance with its NUPMIFA responsibilities. The rate is reviewed annually and, if adjusted, is done so by the Jewish Federation of Omaha Foundation Board of Directors upon recommendation of the Jewish Federation of Omaha Foundation Investment Committee.

Earnings in excess of the payout are used to grow the fund over time and provide a hedge against inflation. Unspent dollars remain available for use in future years.

4) Pledges Receivable

At June 30, 2014 and 2013, the pledges receivable are stated at net present value discounted at 5.11% as follows:

	<u>2014</u>	<u>2013</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 2,180,917	2,269,562
Less unamortized discount	<u>17,211</u>	<u>23,718</u>
Subtotal	2,163,706	2,245,844
Less allowance for uncollectibles	<u>205,655</u>	<u>217,677</u>
Net unconditional promise to give	<u>\$ 1,958,051</u>	<u>2,028,167</u>

Unconditional promises to give at June 30, 2014, are expected to be received in the following periods:

2014	\$ 2,096,517
2015	34,400
2016	—
2017	—
2018	—
2019 and after	<u>50,000</u>
	<u>\$ 2,180,917</u>



JEWISH FEDERATION OF OMAHA, INC.

Notes to Consolidated Financial Statements

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5) Property, Buildings, and Equipment, net

Property, buildings, and equipment consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land and land improvements	\$ 2,008,008	2,008,008
Buildings and improvements	40,425,424	40,350,569
Equipment	2,480,101	2,352,314
Furniture and fixtures	2,158,476	2,129,349
Vehicles	189,950	189,950
Construction in progress	47,650	5,508
	47,309,609	47,035,698
Less accumulated depreciation	<u>24,181,454</u>	<u>22,414,245</u>
	<u>\$ 23,128,155</u>	<u>24,621,453</u>

6) Mortgage Payable

The liabilities of the Federation Manor, Inc. include a mortgage payable to HUD that bears interest at 9.25% and is due in monthly installments of \$13,173, including interest, through September 2022. The note is collateralized by the Federation Manor, Inc.'s property and equipment. Scheduled maturities of mortgage payable in each of the next five years are as follows:

2015	\$ 77,130
2016	84,575
2017	92,738
2018	101,690
2019	111,505
2020 and after	<u>442,245</u>
	<u>\$ 909,883</u>

7) Retirement Plan

The Federation provides all eligible employees with a tax-sheltered annuity that can be used for retirement. The Federation makes contributions up to an amount equal to 5% of the employees' wages. Retirement plan costs were \$298,735 and \$295,332 for the years ended June 30, 2014 and 2013, respectively.

8) Risk Management

The Federation is subject to various risks of loss related to general and professional service liability, cybercrime and property and workers' compensation insurance. The Federation has purchased commercially available indemnity insurance to cover these risks. The deductible amounts for this insurance is immaterial to the Federation.



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The Federation is involved in litigation arising in the normal course of business. After consulting with legal counsel, management estimates these matters will be resolved without material adverse effect on the Federation's future financial position or results from operations.

9) Net Asset Balances

Permanently restricted net assets consist of endowments with donor restrictions that stipulate resources be maintained permanently, but permit the Federation to expend part or all of the income (or other economic benefits) derived from the donated assets for the following purposes:

	<u>2014</u>	<u>2013</u>
Endowments	\$ 13,999,036	13,265,158
Beneficial interest in charitable remainder trust assets and other split interest agreements, net	<u>2,233,526</u>	<u>2,073,514</u>
	<u>\$ 16,232,562</u>	<u>15,338,672</u>

Temporarily restricted net assets are restricted for the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Rose Blumkin Jewish Home building project	\$ 342,030	538,807
Endowments	4,111,805	3,713,777
Restricted-not endowments	244,395	178,788
Israel Emergency	—	20,000
	<u>\$ 4,698,230</u>	<u>4,451,372</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were \$2,034,377 and \$570,089 for the years ended June 30, 2014 and 2013, respectively.

Unrestricted net assets consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Undesignated	\$ 23,650,461	24,765,668
Donor advised	23,190,083	19,740,373
Designated by the board	19,041,366	16,442,306
Unrestricted Foundation assets	7,922,905	6,347,997
Annual campaign	1,839,105	1,768,657
Endowments	<u>1,985,276</u>	<u>695,660</u>
	<u>\$ 77,629,196</u>	<u>69,760,661</u>



JEWISH FEDERATION OF OMAHA, INC.

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Net assets designated by the Board are considered unrestricted and consist of the following components as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Rose Blumkin Jewish Home	\$ 10,158,524	8,660,264
Federation	3,439,387	3,057,155
JCC	1,647,235	1,468,839
Discretionary	1,531,286	1,325,513
Campus funds	1,004,617	845,301
JSO	812,066	738,478
Agency custodial	176,643	187,257
Youth/scholarship funds	160,956	110,079
Multi-purpose/other	110,652	49,420
	<u>\$ 19,041,366</u>	<u>16,442,306</u>

10) Medical Malpractice Coverage and Claims

The Federation pays fixed premiums for annual medical malpractice liability coverage under a claims-made policy form. The Federation accrues the expense of its share of asserted and unasserted claims occurring during the year by estimating the probable ultimate cost of any such claim in excess of applicable insurance coverage. Such estimates are based on the Federation's own claims experience. The Federation does not expect any claims to exceed the insurance coverage limits. Accordingly, no accrual for claims has been included in the financial statements for 2013 and 2014. However, because of the risks involved in providing health care services, it is reasonably possible that an event has occurred which will be the basis of a future material claim.

On July 30, 2010, a former resident filed suit against the Federation for malpractice during care received as a resident. The Federation believes it has meritorious defenses against the suit; however, the ultimate resolution of the matter is uncertain and any resulting damages are not currently reasonably estimable. The amount of loss, if any, recognized for this matter could vary materially in the near term.

SUPPLEMENTAL DATA



JEWISH FEDERATION OF OMAHA, INC.
 Unrestricted Current Fund—
 Program Revenue by Program Service
 For the Year Ended June 30, 2014
 With Comparative Totals for 2013

	Jewish Federation	Jewish Community Center	Rose Blumkin Jewish Home	Jewish Family Services	Center For Jewish Learning	Jewish Senior Outreach	Jewish Press	Community Relations Committee	Federation Manor, Inc.	Total	
										2014	2013
Elderly resident fees	\$ -	-	4,689,411	-	-	-	-	-	-	4,689,411	4,326,417
Federal and state old age assistance	-	-	4,379,476	-	-	-	-	-	-	4,379,476	4,939,477
Program services	1,782	2,274,796	-	109,302	13,377	307,742	-	8,087	5,674	2,720,760	2,335,055
Membership dues	-	2,011,872	-	-	-	-	-	400	-	2,012,272	1,907,228
Advertising	-	340	-	-	-	-	124,160	-	-	124,500	176,561
Miscellaneous	181,313	24,303	329,161	-	12,093	11,015	20,261	9,901	-	588,047	439,491
Rental income	-	35,930	-	-	-	-	500	100	750,268	786,798	515,886
	<u>\$ 183,095</u>	<u>4,347,241</u>	<u>9,398,048</u>	<u>109,302</u>	<u>25,470</u>	<u>318,757</u>	<u>144,921</u>	<u>18,488</u>	<u>755,942</u>	<u>15,301,264</u>	<u>14,640,115</u>