



The Jewish Federation
OF OMAHA

JEWISH FEDERATION OF OMAHA, INC.

Consolidated Financial Statements and
Supplemental Financial Information

June 30, 2016,
with Comparative Totals for 2015

(Together with Independent Auditors' Report)

JEWISH FEDERATION OF OMAHA, INC.



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WITH COMPARATIVE TOTALS FOR 2015**

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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, Inc., which comprise the consolidated statement of financial position as of June 30, 2016, 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.

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 financial position of the Jewish Federation of Omaha, Inc., as of June 30, 2016, 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

We have previously audited the Jewish Federation of Omaha, Inc. 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 14, 2015. In our opinion, the summarized consolidated comparative information presented herein as of and for the year ended June 30, 2015, 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 12, 2017



JEWISH FEDERATION OF OMAHA, INC.

Consolidated Statement of Financial Position

June 30, 2016

With Comparative Totals for 2015

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
Cash and cash equivalents	\$ 1,424,489	147,384	--	1,571,873	1,332,726
Investments	53,168,441	4,076,430	14,775,323	72,020,194	76,639,208
Pledges receivable, net	1,820,103	49,039	--	1,869,142	2,060,563
Other receivables, less allowance for doubtful accounts of \$58,769 and \$63,827 in 2016 and 2015 respectively	926,940	--	--	926,940	726,721
Beneficial interest in charitable remainder trust assets and other split interest agreements, net	--	--	2,207,983	2,207,983	2,421,186
Other assets	462,129	--	--	462,129	390,266
Property, buildings, and equipment, net	21,970,728	--	--	21,970,728	22,501,593
Total assets	\$ 79,772,830	4,272,853	16,983,306	101,028,989	106,072,263
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 565,653	--	--	565,653	580,970
Accrued expenses	941,080	--	--	941,080	849,395
Deferred revenue	487,339	--	--	487,339	496,849
Annuities and trusts payable	--	--	178,471	178,471	187,940
Custodial funds	5,495,186	--	--	5,495,186	5,694,514
Mortgage payable	748,178	--	--	748,178	832,753
Total liabilities	8,237,436	--	178,471	8,415,907	8,642,421
Net assets	71,535,394	4,272,853	16,804,835	92,613,082	97,429,842
Total liabilities and net assets	\$ 79,772,830	4,272,853	16,983,306	101,028,989	106,072,263

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC.

Consolidated Statement of Activities

For the Year Ended June 30, 2016

With Comparative Totals for 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
Public support, program and investment revenue:					
Public support:					
Contributions	\$ 5,524,549	212,686	196,821	5,934,056	6,919,757
Contributions—United Way of the Midlands	31,943	--	--	31,943	112,095
Grants	450,238	23,130	--	473,368	373,355
Total public support	<u>6,006,730</u>	<u>235,816</u>	<u>196,821</u>	<u>6,439,367</u>	<u>7,405,207</u>
Program revenue:					
Elderly resident fees	4,796,228	--	--	4,796,228	5,410,362
Federal and state old age assistance	4,654,127	--	--	4,654,127	4,346,997
Program services	3,416,800	--	--	3,416,800	3,039,265
Membership dues	2,190,752	(1,162)	--	2,189,590	2,148,259
Advertising	150,211	--	--	150,211	109,208
Miscellaneous	99,474	--	--	99,474	55,792
Rental income	611,172	--	--	611,172	581,604
Total program revenue	<u>15,918,764</u>	<u>(1,162)</u>	<u>--</u>	<u>15,917,602</u>	<u>15,691,487</u>
Investment revenue:					
Change in value of split interest agreements	--	--	(203,734)	(203,734)	117,500
Investment income	26,232	79,514	(1,340)	104,406	100,229
Realized gain on investments, net	322,040	3,679	9,399	335,118	3,240,506
Unrealized gain (loss) on investments	(1,890,397)	(58,651)	(57,222)	(2,006,270)	(2,749,451)
Total investment revenue, net	<u>(1,542,125)</u>	<u>24,542</u>	<u>(252,897)</u>	<u>(1,770,480)</u>	<u>708,784</u>
Total public support, program and investment revenue, net	<u>20,383,369</u>	<u>259,196</u>	<u>(56,076)</u>	<u>20,586,489</u>	<u>23,805,478</u>
Net assets released from restrictions	<u>393,435</u>	<u>(393,435)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Expenses:					
Program services:					
Jewish Community Center	5,780,887	--	--	5,780,887	5,267,670
Rose Blumkin Jewish Home	11,011,090	--	--	11,011,090	10,728,452
Center for Jewish Life	1,069,905	--	--	1,069,905	991,095
Jewish Family Service	480,694	--	--	480,694	485,602
Community Relations Committee	413,259	--	--	413,259	463,037
Jewish Senior Outreach	553,912	--	--	553,912	489,984
Jewish Press	357,457	--	--	357,457	362,240
Jewish Federation and Foundation	560,407	--	--	560,407	300,112
Federation Manor, Inc.	394,662	--	--	394,662	421,818
Total program services	<u>20,622,273</u>	<u>--</u>	<u>--</u>	<u>20,622,273</u>	<u>19,510,010</u>
Supporting services:					
Management and general	435,050	--	--	435,050	518,491
Federation fundraising	511,806	--	--	511,806	266,111
Foundation fundraising	532,072	--	--	532,072	535,136
Total supporting services	<u>1,478,928</u>	<u>--</u>	<u>--</u>	<u>1,478,928</u>	<u>1,319,738</u>
Contributions to nonprofit organizations and assistance:					
Jewish Federation of North America	809,749	--	--	809,749	904,701
Other	2,492,299	--	--	2,492,299	3,201,175
Total contributions	<u>3,302,048</u>	<u>--</u>	<u>--</u>	<u>3,302,048</u>	<u>4,105,876</u>
Total expenses	<u>25,403,249</u>	<u>--</u>	<u>--</u>	<u>25,403,249</u>	<u>24,935,624</u>
Change in restrictions	326,845	(67,392)	(259,453)	--	--
Change in net assets	(4,299,600)	(201,631)	(315,529)	(4,816,760)	(1,130,146)
Net assets at beginning of year	<u>75,834,994</u>	<u>4,474,484</u>	<u>17,120,364</u>	<u>97,429,842</u>	<u>98,559,988</u>
Net assets at end of year	<u>\$ 71,535,394</u>	<u>4,272,853</u>	<u>16,804,835</u>	<u>92,613,082</u>	<u>97,429,842</u>

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC.

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2016

With Comparative Totals for 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (4,816,760)	(1,130,146)
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	(4,210)	(3,109)
Permanently restricted for endowment	(195,481)	(758,348)
Change in value of split interest agreements, net	213,203	38,342
Realized gain on investments	(335,118)	(3,240,506)
Change in unrealized gain on investments	2,006,270	2,749,451
Depreciation	1,756,886	1,741,989
Decrease (increase) in:		
Pledges receivable	191,421	(102,512)
Other receivables	(200,219)	(32,966)
Other assets	(71,863)	(67,329)
Increase (decrease) in:		
Accounts payable	(107,547)	40,349
Accrued expenses	91,685	103,994
Deferred revenue	(9,510)	47,418
Annuities and trusts payable	(9,469)	(38,062)
Custodial funds, net	(199,328)	163,715
Net cash used in operating activities	<u>(1,690,040)</u>	<u>(487,720)</u>
Cash flows from investing activities:		
Purchase of property, buildings, and equipment, net	(1,133,791)	(1,089,943)
Purchase of investments	(6,119,567)	(12,363,431)
Proceeds from maturities and sales of investments	<u>9,067,429</u>	<u>12,856,108</u>
Net cash provided by (used in) investing activities	<u>1,814,071</u>	<u>(597,266)</u>
Cash flows from financing activities:		
Principal payments on mortgage payable	(84,575)	(77,130)
Contributions and investment income -		
Temporarily restricted for property, buildings, and equipment	4,210	3,109
Permanently restricted for endowment	<u>195,481</u>	<u>758,348</u>
Net cash provided by financing activities	<u>115,116</u>	<u>684,327</u>
Increase (decrease) in cash and cash equivalents	239,147	(400,659)
Cash and cash equivalents at beginning of year	<u>1,332,726</u>	<u>1,733,385</u>
Cash and cash equivalents at end of year	<u>\$ 1,571,873</u>	<u>1,332,726</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 72,882	80,381
Accounts payable incurred for purchase of property and equipment	\$ 92,230	25,484

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC.
 Consolidated Statement of Functional Expenses
 For the Year Ended June 30, 2016
 With Comparative Totals for 2015

	Program Services													
	Jewish Community Center			Rose Blumkin Jewish Home			Center for Jewish Life	Jewish Family Service	Community Relations Committee	Jewish Senior Outreach	Jewish Press	Jewish Federation and Foundation	Federation Manor, Inc.	Total carried forward
	Program Services	Management and General	Total	Program Services	Management and General	Total								
Salaries—professional	\$ 588,885	333,973	922,858	492,485	314,074	806,559	142,211	267,853	159,413	90,456	131,609	--	--	2,520,959
Salaries—program	1,715,886	132,651	1,848,537	4,687,762	139,374	4,827,136	954	9,056	29,915	122,272	19,523	5,955	--	6,863,348
Employee health and benefits	264,980	40,901	305,881	675,434	44,438	719,872	9,656	11,458	22,691	29,003	25,895	--	--	1,124,456
Payroll taxes	195,005	35,202	230,207	527,006	31,126	558,132	11,400	25,040	14,208	19,955	11,503	536	--	870,981
Total salaries and related expenses	2,764,756	542,727	3,307,483	6,382,687	529,012	6,911,699	164,221	313,407	226,227	261,686	188,530	6,491	--	11,379,744
Program operating costs	369,065	108,492	477,557	1,562,059	63,385	1,625,444	228,906	33,567	72,449	136,832	11,654	218,643	194,408	2,999,460
Occupancy	996,767	--	996,767	458,560	--	458,560	33,378	14,960	20,669	23,981	11,534	--	54,825	1,614,674
Accounting and central services	--	316,397	316,397	--	417,155	417,155	48,572	38,841	53,402	30,829	42,315	1,705	55,113	1,004,329
Professional fees	7,046	435	7,481	42,297	13,102	55,399	74,685	112	2,589	--	5,290	62,746	--	208,302
Mortgage interest	--	--	--	--	--	--	--	--	--	--	--	--	72,882	72,882
Supplies	55,608	23,952	79,560	79,597	78,768	158,365	1,381	4,266	2,907	161	6,092	711	--	253,443
Printing and publications	11,296	19,220	30,516	2	3,199	3,201	4,696	902	4,628	103	39,838	3,061	--	86,945
Assistance to organizations	--	--	--	--	--	--	74,198	--	--	--	--	92,500	--	166,698
Local transportation	2,910	--	2,910	62,196	5,772	67,968	7,611	384	1,251	56,115	1,027	--	--	137,266
Assistance to individuals	--	--	--	--	--	--	332,691	48,313	693	2,547	--	96,342	--	480,586
Dues	6,821	34,534	41,355	7,264	27,072	34,336	60,825	3,185	275	--	2,539	63,843	--	206,358
Postage and shipping	1,867	5,432	7,299	10,236	5,334	15,570	1,957	904	580	413	27,993	1,400	--	56,116
Laundry	28,511	--	28,511	--	--	--	--	--	--	--	--	--	--	28,511
Conferences, conventions, and meetings	7,825	6,620	14,445	3,502	13,503	17,005	--	634	5,232	1,989	--	2,896	--	42,201
Telephone	--	1,197	1,197	4,833	13,831	18,664	(38)	292	--	429	--	--	--	20,544
Miscellaneous	630	118	748	45,277	44,048	89,325	146	1,114	652	23,920	4,339	10,069	--	130,313
Total expenses before depreciation	4,253,102	1,059,124	5,312,226	8,658,510	1,214,181	9,872,691	1,033,229	460,881	391,554	539,005	341,151	560,407	377,228	18,888,372
Depreciation	414,844	53,817	468,661	--	1,138,399	1,138,399	36,676	19,813	21,705	14,907	16,306	--	17,434	1,733,901
Total expenses	\$ 4,667,946	1,112,941	5,780,887	8,658,510	2,352,580	11,011,090	1,069,905	480,694	413,259	553,912	357,457	560,407	394,662	20,622,273
2015 Total expenses	\$ 3,259,915	2,007,755	5,267,670	8,309,669	2,418,783	10,728,452	991,095	485,602	463,037	489,984	362,240	300,112	421,818	19,510,010

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC.
 Consolidated Statement of Functional Expenses
 For the Year Ended June 30, 2016
 With Comparative Totals for 2015

	Program Services Total Brought Forward	Supporting Services			Total	Total	
		Management and General	Jewish Federation Fund- raising	Jewish Foundation Fund- raising		2016	2015
Salaries—professional	\$ 2,520,959	216,217	252,021	299,180	767,418	3,288,377	3,465,649
Salaries—program	6,863,348	34,518	24,432	36,722	95,672	6,959,020	6,566,520
Employee health and benefits	1,124,456	17,570	20,943	15,195	53,708	1,178,164	1,082,445
Payroll taxes	870,981	16,145	21,107	24,834	62,086	933,067	941,378
Total salaries and related expenses	11,379,744	284,450	318,503	375,931	978,884	12,358,628	12,055,992
Program operating costs	2,999,460	35,508	24,236	38,868	98,612	3,098,072	2,531,084
Occupancy	1,614,674	42,316	4,142	--	46,458	1,661,132	1,647,442
Accounting and central services	1,004,329	--	137,700	85,860	223,560	1,227,889	1,132,017
Professional fees	208,302	7,314	--	2,430	9,744	218,046	217,018
Mortgage interest	72,882	--	--	--	--	72,882	80,381
Supplies	253,443	4,838	1,323	4,133	10,294	263,737	287,309
Printing and publications	86,945	3,960	6,800	7,598	18,358	105,303	94,508
Assistance to organizations	166,698	--	--	--	--	166,698	83,962
Local transportation	137,266	--	610	351	961	138,227	139,999
Assistance to individuals	480,586	--	712	--	712	481,298	378,758
Dues	206,358	1,744	--	1,322	3,066	209,424	136,192
Postage and shipping	56,116	2,702	3,474	4,947	11,123	67,239	55,093
Laundry	28,511	--	--	--	--	28,511	23,836
Conferences, conventions, and meetings	42,201	8,313	14,286	10,636	33,235	75,436	59,820
Telephone	20,544	866	--	--	866	21,410	21,812
Miscellaneous	130,313	20,054	20	(4)	20,070	150,383	142,536
Total expenses before depreciation	18,888,372	412,065	511,806	532,072	1,455,943	20,344,315	19,087,759
Depreciation	1,733,901	22,985	--	--	22,985	1,756,886	1,741,989
Total expenses	\$ 20,622,273	435,050	511,806	532,072	1,478,928	22,101,201	20,829,748
2015 Total expenses	\$ 19,510,010	518,491	266,111	535,136	1,319,738		20,829,748

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC.

Notes to Consolidated Financial Statements

June 30, 2016

with Comparative Totals for 2015

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. 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.



JEWISH FEDERATION OF OMAHA, INC.

Notes to Consolidated Financial Statements

June 30, 2016

with Comparative Totals for 2015

(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.

(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*

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 values per share 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 partnership, 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



JEWISH FEDERATION OF OMAHA, INC.

Notes to Consolidated Financial Statements

June 30, 2016

with Comparative Totals for 2015

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 residents, the Federation bills third-party payers directly and bills residents when the resident's liability is determined. Resident accounts 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 with Other Receivables in 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



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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, 2016.

(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>2016</u>	<u>2015</u>
Schrager Supporting Foundation	\$ 2,884,221	3,258,119
Goldstein Supporting Foundation	1,880,862	2,031,953
Others	<u>730,103</u>	<u>404,442</u>
Total	<u>\$ 5,495,186</u>	<u>5,694,514</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 include estimated retroactive adjustments. Retroactive adjustments



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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 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 Federation 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 concentration 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



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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 may include deposits in excess of Federal Deposit Insurance Corporation limits. Management has employed cash management strategies that spread cash deposits across multiple financial institutions to reduce exposure to FDIC limitations. 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 2015, the Federation realized certain income which the Internal Revenue Service considers to be unrelated business income subject to income tax. For the year ended June 30, 2016, the Federation made tax estimate payments of \$35,000 during the year and estimated the tax expense to be \$10,000 which resulted in prepaid taxes of \$25,000 which is recorded in accrued expenses. For the year ended June 30, 2015, \$26,200 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, 2016 and 2015, the Federation had no uncertain tax positions accrued.

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 2012.

(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, 2016, 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



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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 2015 in the accompanying consolidated financial statement are included to provide a basis for comparison with 2016, and are not intended to present all information necessary for a fair presentation of the 2015 financial statements in conformity with accounting principles generally accepted in the United States of America.

(t) *Reclassifications*

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 reporting format. These reclassifications had no effect on the change in net assets.

(u) *Subsequent Events*

The Federation considered events occurring through January 12, 2017 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

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.



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- 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, 2016 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, 2016.

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 projects 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. 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.



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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, for 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, 2016 and 2015:

	2016				
	Cost	Fair Value			
		Total	Level 1	Level 2	Level 3
Alternative investment - Chicago PEP	\$ 32,152,196	43,672,815	–	–	43,672,815
Bond funds	1,160,448	1,152,650	1,152,650	–	–
Corporate bonds	2,652,449	2,766,300	–	2,766,300	–
U.S. government bonds	116,177	120,781	–	120,781	–
Alternative investment - other	675,071	1,744,341	–	1,744,341	–
Money market funds and certificates of deposit	1,452,576	1,452,576	1,452,576	–	–
Alternative investment - Boston	18,838,861	19,300,432	–	–	19,300,432
Common stocks	1,002,583	1,547,783	1,547,783	–	–
Insurance cash value	262,516	262,516	262,516	–	–
	\$ 58,312,877	72,020,194	4,415,525	4,631,422	62,973,247



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	2015				
	Cost	Fair Value			
		Total	Level 1	Level 2	Level 3
Alternative investment - Chicago PEP	\$ 33,109,896	46,573,585	-	-	46,573,585
Bond funds	1,723,151	1,716,533	1,716,533	-	-
Corporate bonds	2,577,150	2,620,699	-	2,620,699	-
U.S. government bonds	339,692	331,541	-	331,541	-
Alternative investment - other	619,468	1,909,396	-	1,909,396	-
Money market funds and certificates of deposit	805,508	805,508	805,508	-	-
State of Israel bonds	450,000	450,000	-	450,000	-
Alternative investment - Boston	19,701,039	20,525,309	-	-	20,525,309
Common stocks	1,002,583	1,461,172	1,461,172	-	-
Insurance cash value	245,465	245,465	245,465	-	-
	<u>\$ 60,573,952</u>	<u>76,639,208</u>	<u>4,228,678</u>	<u>5,311,636</u>	<u>67,098,894</u>

Reconciliation of Level 3 assets for the years ended June 30, 2016 and 2015:

	<u>Alternative Investment - Chicago PEP</u>	<u>Alternative Investment - Boston JCEP</u>	<u>Total</u>
Balance June 30, 2014	\$ 58,255,425	6,314,569	64,569,994
Additions	-	14,050,000	14,050,000
Withdrawals	(12,000,000)	-	(12,000,000)
Realized gain (loss)	3,428,372	-	3,428,372
Unrealized gain (loss)	<u>(3,110,212)</u>	<u>160,740</u>	<u>(2,949,472)</u>
Balance June 30, 2015	46,573,585	20,525,309	67,098,894
Withdrawals	(1,300,000)	(900,000)	(2,200,000)
Realized gain (loss)	342,300	37,822	380,122
Unrealized gain (loss)	<u>(1,943,070)</u>	<u>(362,699)</u>	<u>(2,305,769)</u>
Balance June 30, 2016	<u>\$ 43,672,815</u>	<u>19,300,432</u>	<u>62,973,247</u>



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A summary of all Federation investments as of June 30, 2016 and 2015 is as follows:

	2016			2015
	Chicago PEP	Other	Total	
Alternative investments	26.50%	29.22%	55.72%	52.84%
Equities	15.46%	2.15%	17.61%	19.84%
Money market funds and certificates of deposit	3.46%	2.02%	5.48%	3.97%
Fixed income-government and corporate	4.12%	5.61%	9.73%	11.32%
Real assets and other	11.10%	0.36%	11.46%	11.44%
State of Israel bonds	0.00%	0.00%	0.00%	0.59%
	<u>60.64%</u>	<u>39.36%</u>	<u>100.00%</u>	<u>100.00%</u>

	2016 Fair Value	2015 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments -					
Chicago Pooled Endowment Portfolio (a)	\$ 43,672,815	46,573,585	None		See (a) below
Other (b)	1,744,341	1,909,396	None		See (b) below
Boston JCEP (c)	19,300,432	20,525,309	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 in 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



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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. The 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 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. 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, 2016. 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 partnerships 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.



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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 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.

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 the 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.

Unrealized Gains and Losses

The following is a reconciliation of unrealized gains (losses) for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Net unrealized gains at beginning of year	\$ 16,065,254	18,835,161
Net unrealized gains at end of year	<u>13,707,315</u>	<u>16,065,254</u>
Total change in unrealized gains (losses)	(2,357,939)	(2,769,907)
Change in unrealized gains (losses) attributable to custodial funds	<u>(351,669)</u>	<u>(20,456)</u>
Net change in unrealized gains (losses)	<u>\$ (2,006,270)</u>	<u>(2,749,451)</u>



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



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The composition of net assets by type of endowment fund at June 30, 2016 and 2015 was:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	604,983	3,555,288	14,775,323	18,935,594
Board-designated endowment funds (Quasi)	1,778,849	—	—	1,778,849
Net assets, end of year	\$ <u>2,383,832</u>	<u>3,555,288</u>	<u>14,775,323</u>	<u>20,714,443</u>
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	1,607,341	3,843,609	14,887,118	20,338,068
Board-designated endowment funds (Quasi)	1,541,527	—	—	1,541,527
Net assets, end of year	\$ <u>3,148,868</u>	<u>3,843,609</u>	<u>14,887,118</u>	<u>21,879,595</u>

The following tables present the changes in endowment balances for the years ended June 30, 2016 and 2015:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 3,148,868	3,843,609	14,887,118	21,879,595
Investment return -				
Investment income	(10,779)	76,374	(1,340)	64,255
Net realized gain	71,651	2,620	9,399	83,670
Net unrealized gain	(437,871)	(51,206)	(57,222)	(546,299)
Total investment return	<u>(376,999)</u>	<u>27,788</u>	<u>(49,163)</u>	<u>(398,374)</u>
Appropriation of endowment assets for expenditure and reclass between restrictions	<u>(388,539)</u>	<u>(335,049)</u>	<u>(259,453)</u>	<u>(983,041)</u>
Contributions	<u>502</u>	<u>18,940</u>	<u>196,821</u>	<u>216,263</u>
Net assets, end of year	\$ <u>2,383,832</u>	<u>3,555,288</u>	<u>14,775,323</u>	<u>20,714,443</u>



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	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 3,529,896	4,111,805	13,999,036	21,640,737
Investment return -				
Investment income	21	89,765	266	90,052
Net realized gain	77,036	779,869	87,009	943,914
Net unrealized gain	(67,196)	(722,790)	(75,055)	(865,041)
Total investment return	9,861	146,844	12,220	168,925
Appropriation of endowment assets for expenditure and reclass between restrictions	(440,951)	(456,813)	-	(897,764)
Contributions	50,062	41,773	875,862	967,697
Net assets, end of year	\$ 3,148,868	3,843,609	14,887,118	21,879,595

At June 30, 2016 and 2015, the Federation had appropriated temporarily restricted endowment assets in excess of available earnings from the endowed funds in the cumulative amount of approximately \$762,450 and \$389,814, 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 asset portfolios managed by professional investment management staff of the Chicago PEP and the Boston JCEP 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.



JEWISH FEDERATION OF OMAHA, INC.

Notes to Consolidated Financial Statements

June 30, 2016

with Comparative Totals for 2015

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.

The current policy sets the payout rate at 5.75% 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, 2016 and 2015, the pledges receivable are stated at net present value discounted at 5.11% as follows:

	<u>2016</u>	<u>2015</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 1,962,026	2,272,556
Less unamortized discount	<u>14,961</u>	<u>16,288</u>
Subtotal	1,947,065	2,256,268
Less allowance for uncollectibles	<u>77,923</u>	<u>195,705</u>
Net unconditional promise to give	<u>\$ 1,869,142</u>	<u>2,060,563</u>



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Notes to Consolidated Financial Statements

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Unconditional promises to give at June 30, 2016 are expected to be received in the following periods:

	<u>2016</u>
2017	\$ 1,903,126
2018	3,200
2019	3,200
2020	2,500
2021	-
2022 and after	<u>50,000</u>
	<u>\$ 1,962,026</u>

5) Property, Buildings, and Equipment, net

Property, buildings, and equipment consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 2,102,625	2,102,625
Buildings and improvements	41,786,533	40,920,918
Equipment	3,011,186	2,697,054
Furniture and fixtures	2,314,899	2,282,006
Vehicles	218,461	213,550
Construction in progress	<u>217,353</u>	<u>208,883</u>
	49,651,057	48,425,036
Less accumulated depreciation	<u>27,680,329</u>	<u>25,923,443</u>
	<u>\$ 21,970,728</u>	<u>22,501,593</u>

6) Mortgage Payable

The liabilities of 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:



JEWISH FEDERATION OF OMAHA, INC.

Notes to Consolidated Financial Statements

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with Comparative Totals for 2015

2017	\$	92,738
2018		101,690
2019		111,505
2020		122,268
2021		134,070
2022 and after		<u>185,907</u>
	\$	<u><u>748,178</u></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 \$354,946 and \$348,516 for the years ended June 30, 2016 and 2015, 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 exposures. The Federation has purchased commercially available indemnity insurance to cover these risks. The deductible amounts for this insurance are immaterial to the Federation.

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 various purposes:

	<u>2016</u>	<u>2015</u>
Endowments	\$ 14,775,323	14,887,118
Beneficial interest in charitable remainder trust assets and other split interest agreements, net	<u>2,029,512</u>	<u>2,233,246</u>
	<u><u>\$ 16,804,835</u></u>	<u><u>17,120,364</u></u>



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Notes to Consolidated Financial Statements

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with Comparative Totals for 2015

Temporarily restricted net assets are restricted for the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Rose Blumkin Jewish Home building project	\$ 346,049	343,053
Endowments	3,555,288	3,843,609
Restricted-not endowments	<u>371,516</u>	<u>287,822</u>
	<u>\$ 4,272,853</u>	<u>4,474,484</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were \$393,435 and \$489,158 for the years ended June 30, 2016 and 2015, respectively.

Unrestricted net assets consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Undesignated	\$ 22,312,326	22,311,905
Donor advised	20,034,296	22,554,886
Designated by the board	16,973,253	17,771,250
Unrestricted Foundation assets	8,023,687	8,069,052
Annual campaign	1,808,000	1,979,033
Board-designated endowment funds (Quasi)	1,778,849	1,541,527
Endowments	<u>604,983</u>	<u>1,607,341</u>
	<u>\$ 71,535,394</u>	<u>75,834,994</u>



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with Comparative Totals for 2015

Net assets designated by the Board are considered unrestricted and consist of the following components as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Rose Blumkin Jewish Home	\$ 9,600,682	10,063,651
Federation	3,231,218	3,307,544
Discretionary	1,575,416	1,649,029
Campus funds	1,307,953	1,095,520
JSO	696,722	783,628
Foundation	193,383	168,178
Youth/scholarship funds	107,288	204,274
CJL	77,480	76,117
Agency custodial	76,324	169,771
Press	46,104	49,925
JCC	43,524	59,539
Multi-purpose/other	17,159	144,074
	<u>\$ 16,973,253</u>	<u>17,771,250</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 the 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 2016 and 2015. 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 for a future material claim.

11) Related Party Transactions

The Federation receives contributions from related parties including board members and employees, throughout the year. These contributions are used to help fund the Federation's mission. For the years ended June 30, 2016 and 2015, related party contributions were approximately \$1,413,000 and \$2,126,000 respectively.

12) Contribution Concentrations

Approximately 20% of all contributions, not including contributions from United Way, were received from one donor in 2015. No concentrations exist in 2016.

SUPPLEMENTARY INFORMATION



JEWISH FEDERATION OF OMAHA, INC.
 Unrestricted Current Fund—
 Program Revenue by Program Service
 For the Year Ended June 30, 2016
 With Comparative Totals for 2015

	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	
										2016	2015
Elderly resident fees	\$ -	-	4,796,228	-	-	-	-	-	-	4,796,228	5,410,362
Federal and state old age assistance	-	-	4,654,127	-	-	-	-	-	-	4,654,127	4,346,997
Program services	141,239	2,685,303	41,249	119,091	86,617	326,866	-	8,453	7,982	3,416,800	3,039,265
Membership dues	-	2,190,552	-	-	-	-	-	200	-	2,190,752	2,145,326
Advertising	-	-	-	-	-	-	150,211	-	-	150,211	109,208
Miscellaneous	15,677	8,869	51,326	2,106	1,499	1,395	18,588	14	-	99,474	55,792
Rental income	29,475	60,121	9,000	-	-	-	1,000	-	511,576	611,172	581,604
	<u>\$ 186,391</u>	<u>4,944,845</u>	<u>9,551,930</u>	<u>121,197</u>	<u>88,116</u>	<u>328,261</u>	<u>169,799</u>	<u>8,667</u>	<u>519,558</u>	<u>15,918,764</u>	<u>15,688,554</u>
2015 Totals	<u>\$ 40,976</u>	<u>4,660,843</u>	<u>9,782,120</u>	<u>116,119</u>	<u>11,350</u>	<u>337,635</u>	<u>129,179</u>	<u>27,993</u>	<u>582,339</u>	<u>15,688,554</u>	<u>15,688,554</u>