The Jewish Federation
OF OMAHA

JEWISH FEDERATION OF OMAHA, INC.

Consolidated Financial Statements and
Supplemental Financial Information

June 30, 2017,
with Comparative Totals for 2016

(Together with Independent Auditor's Report)

JEWISH FEDERATION OF OMAHA, INC.

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JUNE 30, 2017,
WITH COMPARATIVE TOTALS FOR 2016

SEIM JOHNSON

Independent Auditor's Report

The Board of Directors
Jewish Federation of Omaha, Inc.
Omaha, Nebraska:

Report on the Financial Statements

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, 2017, 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 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 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, 2017, and the changes in 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 Comparative Information

The 2016 financial statements were audited by other auditors and their report thereon, dated January 12, 2017, expressed an unmodified opinion. In our opinion, the summarized consolidated comparative information presented herein as of and for the year ended June 30, 2016, 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 supplementary information 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.

Seim Johnson, LLP

Omaha, Nebraska,
December 6, 2017.

JEWISH FEDERATION OF OMAHA, INC.
Consolidated Statement of Financial Position
June 30, 2017
With Comparative Totals for 2016

Assets		Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Cash and cash equivalents	$	1,403,680	184,204	--	1,587,884	1,571,873
Investments		59,481,040	4,454,392	15,608,182	79,543,614	72,020,194
Pledges receivable, net		2,102,269	47,447	--	2,149,716	1,869,142
Other receivables, less allowance for doubtful accounts of $72,327 and $58,769 in 2017 and 2016 respectively		1,083,316	--	--	1,083,316	926,940
Beneficial interest in charitable remainder trust assets and other split interest agreements, net		--	--	2,295,329	2,295,329	2,207,983
Other assets		563,235	--	--	563,235	462,129
Property, buildings, and equipment, net		21,179,279	--	--	21,179,279	21,970,728
Total assets	$	85,812,819	4,686,043	17,903,511	108,402,373	101,028,989
Liabilities and Net Assets						
Liabilities:						
Accounts payable - trade	$	408,618	--	--	408,618	473,423
Accounts payable - Property, buildings and equipment		362,701	--	--	362,701	92,230
Accrued expenses		1,196,945	--	--	1,196,945	941,080
Deferred revenue		539,027	--	--	539,027	487,339
Annuities and trusts payable		--	--	234,049	234,049	178,471
Custodial funds		7,129,789	--	--	7,129,789	5,495,186
Mortgage payable		655,440	--	--	655,440	748,178
Total liabilities		10,292,520	--	234,049	10,526,569	8,415,907
Net assets		75,520,299	4,686,043	17,669,462	97,875,804	92,613,082
Total liabilities and net assets	$	85,812,819	4,686,043	17,903,511	108,402,373	101,028,989

See notes to consolidated financial statements

JEWISH FEDERATION OF OMAHA, INC.
Consolidated Statement of Activities
Expenses, and Changes in Net Assets
For the Year Ended June 30, 2017
With Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
Public support, program and investment revenue:					
Public support:					
Contributions	$ 5,703,653	827,811	502,216	7,033,680	5,934,056
Contributions—United Way of the Midlands	26,192	--	--	26,192	31,943
Grants	319,537	31,737	--	351,274	473,368
Total public support	6,049,382	859,548	502,216	7,411,146	6,439,367
Program revenue:					
Elderly resident fees	5,136,873	--	--	5,136,873	4,796,228
Federal and state old age assistance	5,006,006	--	--	5,006,006	4,654,127
Program services	3,732,595	--	--	3,732,595	3,457,812
Membership dues	2,286,650	--	--	2,286,650	2,189,590
Advertising	226,577	--	--	226,577	150,211
Miscellaneous	89,170	--	--	89,170	115,886
Rental income	641,538	--	--	641,538	670,728
Total program revenue	17,119,409	--	--	17,119,409	16,034,582
Investment revenue:					
Change in value of split interest agreements	--	--	333,540	333,540	(203,734)
Investment income	123,920	127,575	3,562	255,057	104,406
Realized gain on investments, net	4,694,179	1,535,233	192,517	6,421,929	335,118
Unrealized loss on investments	(418,176)	(303,027)	(28,646)	(749,849)	(2,006,270)
Total investment revenue, net	4,399,923	1,359,781	500,973	6,260,677	(1,770,480)
Total public support, program and investment revenue, net	27,568,714	2,219,329	1,003,189	30,791,232	20,703,469
Net assets released from restrictions	1,889,191	(1,889,191)	--	--	--
Expenses:					
Program services:					
Jewish Community Center	6,211,957	--	--	6,211,957	5,760,738
Rose Blumkin Jewish Home	11,070,965	--	--	11,070,965	10,965,566
Community Engagement and Education	790,250	--	--	790,250	1,067,537
Jewish Family Service	513,374	--	--	513,374	479,447
Community Relations Committee	448,371	--	--	448,371	411,858
Jewish Senior Outreach	455,052	--	--	455,052	553,308
Jewish Press	423,104	--	--	423,104	356,156
Jewish Federation and Foundation	534,522	--	--	534,522	584,275
Federation Manor, Inc.	455,192	--	--	455,192	394,662
Total program services	20,902,787	--	--	20,902,787	20,573,547
Supporting services:					
Management and general	431,016	--	--	431,016	414,714
Federation fundraising	504,551	--	--	504,551	508,224
Foundation fundraising	549,536	--	--	549,536	532,071
Occupancy	144,341	--	--	144,341	131,138
Central services	71,083	--	--	71,083	58,487
Total supporting services	1,700,527	--	--	1,700,527	1,644,634
Contributions to nonprofit organizations and assistance:					
Jewish Federation of North America	750,000	--	--	750,000	809,749
Other	2,175,196	--	--	2,175,196	2,492,299
Total contributions	2,925,196	--	--	2,925,196	3,302,048
Total expenses	25,528,510	--	--	25,528,510	25,520,229
Change in restrictions	55,510	83,052	(138,562)	--	--
Change in net assets	3,984,905	413,190	864,627	5,262,722	(4,816,760)
Net assets at beginning of year	71,535,394	4,272,853	16,804,835	92,613,082	97,429,842
Net assets at end of year	$ 75,520,299	4,686,043	17,669,462	97,875,804	92,613,082

See notes to consolidated financial statements

JEWISH FEDERATION OF OMAHA, INC.
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2017
With Comparative Totals for 2016

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	5,262,722	(4,816,760)
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)
Permanently restricted for endowment		(505,778)	(195,481)
Change in value of split interest agreements, net		(87,346)	213,203
Realized gain on investments		(6,421,929)	(335,118)
Change in unrealized loss on investments		749,849	2,006,270
Depreciation		1,874,732	1,756,886
Decrease (increase) in:			
Pledges receivable		(280,574)	191,421
Other receivables		(156,376)	(200,219)
Other assets		(101,106)	(71,863)
Increase (decrease) in:			
Accounts payable - trade		(64,805)	(107,547)
Accrued expenses		255,865	91,685
Deferred revenue		51,688	(9,510)
Annuities and trusts payable		55,578	(9,469)
Custodial funds, net		1,634,603	(199,328)
Net cash provided by (used in) operating activities		2,267,123	(1,690,040)
Cash flows from investing activities:			
Purchase of property, buildings, and equipment, net		(812,812)	(1,133,791)
Purchase of investments		(30,107,816)	(6,119,567)
Proceeds from maturities and sales of investments		28,256,476	9,067,429
Net cash provided by (used in) investing activities		(2,664,152)	1,814,071
Cash flows from financing activities:			
Principal payments on mortgage payable		(92,738)	(84,575)
Contributions and investment income -			
Temporarily restricted for property, buildings, and equipment		--	4,210
Permanently restricted for endowment		505,778	195,481
Net cash provided by financing activities		413,040	115,116
Increase in cash and cash equivalents		16,011	239,147
Cash and cash equivalents at beginning of year		1,571,873	1,332,726
Cash and cash equivalents at end of year	$	1,587,884	1,571,873
Supplemental disclosure of cash flow information:			
Interest paid	$	64,657	72,882

See notes to consolidated financial statements

JEWISH FEDERATION OF OMAHA, INC.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2017
With Comparative Totals for 2016

	Program Services											
	Jewish Community Center			Rose Blumkin Jewish Home								
	Program Services	Management and General	Total	Program Services	Management and General	Total	Community Engagement and Education	Jewish Family Service	Community Relations Committee	Jewish Senior Outreach	Jewish Press	Total carried forward
Salaries—professional	$ 682,027	335,181	1,017,208	529,094	230,489	759,583	165,648	284,103	156,171	101,984	130,455	2,615,152
Salaries—program	1,862,108	143,646	2,005,754	4,794,000	100,790	4,894,790	238	2,089	63,301	83,353	46,753	7,096,278
Employee health and benefits	293,355	40,552	333,907	690,818	25,986	716,804	9,803	15,419	25,430	22,679	31,681	1,155,723
Payroll taxes	211,201	36,290	247,491	512,903	25,557	538,460	12,866	24,383	17,127	17,646	13,737	871,710
Total salaries and related expenses	3,048,691	555,669	3,604,360	6,526,815	382,822	6,909,637	188,555	325,994	262,029	225,662	222,626	11,738,863
Program operating costs	356,914	110,092	467,006	1,598,111	24,474	1,622,585	37,866	30,130	80,940	138,726	16,878	2,394,131
Occupancy-allocated	1,028,094	–	1,028,094	365	–	365	32,845	15,264	21,557	–	12,041	1,110,166
Occupancy-expensed	–	1,104	1,104	484,139	–	484,139	–	–	–	–	–	485,243
Central services	–	295,181	295,181	–	392,119	392,119	56,063	37,878	47,863	26,021	54,610	909,735
Professional fees	4,286	336	4,622	32,551	10,804	43,355	19,058	–	428	44	6,539	74,046
Mortgage interest	–	–	–	–	–	–	–	–	–	–	–	–
Supplies	87,064	34,997	122,061	79,078	91,026	170,104	915	14,330	1,240	1,883	1,927	312,460
Printing and publications	12,364	15,139	27,503	133	7,115	7,248	2,258	1,332	4,182	146	50,899	93,568
Assistance to organizations	–	–	–	–	–	–	60,604	–	275	–	–	60,879
Local transportation	7,958	382	8,340	69,693	4,754	74,447	164	324	983	38,681	1,091	124,030
Assistance to individuals	–	–	–	3	11,078	11,081	344,969	56,273	–	2,446	–	414,769
Dues	9,780	38,251	48,031	20,408	20,632	41,040	810	4,174	275	35	2,968	97,333
Postage and shipping	1,088	10,511	11,599	6,584	8,228	14,812	742	1,200	1,096	879	27,553	57,881
Laundry	26,086	–	26,086	–	–	–	–	–	–	–	–	26,086
Conferences, and meetings	12,135	1,836	13,971	8,553	5,896	14,449	1,574	682	2,080	1,374	1,677	35,807
Telephone	–	676	676	5,936	1,851	7,787	473	491	–	725	–	10,152
Miscellaneous	768	1,168	1,936	112,810	20,405	133,215	590	2,200	115	3,056	5,281	146,393
Total expenses before depreciation	4,595,228	1,065,342	5,660,570	8,945,179	981,204	9,926,383	747,486	490,272	423,063	439,678	404,090	18,091,542
Depreciation	488,636	62,751	551,387	1,144,582	–	1,144,582	42,764	23,102	25,308	15,374	19,014	1,821,531
Total expenses	$ 5,083,864	1,128,093	6,211,957	10,089,761	981,204	11,070,965	790,250	513,374	448,371	455,052	423,104	19,913,073
2016 Total expenses	$ 4,657,588	1,103,150	5,760,738	9,796,909	1,168,657	10,965,566	1,067,537	479,447	411,858	553,308	356,156	19,594,610

See notes to consolidated financial statements

JEWISH FEDERATION OF OMAHA, INC.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2017
With Comparative Totals for 2016

	Program Services				Supporting Services						Total	
	Total Brought Forward	Jewish Federation and Foundation	Federation Manor, Inc.	Total	Management and General	Jewish Federation Fund-raising	Jewish Foundation Fund-raising	Occupancy	Central Services	Total	2017	2016
Salaries—professional	$ 2,615,152	9,662	--	2,624,814	191,809	235,633	309,946	4,166	713,354	1,454,908	4,079,722	3,992,815
Salaries—program	7,096,278	7,589	--	7,103,867	75,301	32,499	36,792	439,692	121,511	705,795	7,809,662	7,472,162
Employee health and benefits	1,155,723	–	--	1,155,723	31,299	22,174	18,310	79,561	109,132	260,476	1,416,199	1,339,255
Payroll taxes	871,710	1,388	--	873,098	17,422	21,768	25,338	42,318	62,090	168,936	1,042,034	1,029,590
Total salaries and related expenses	11,738,863	18,639	--	11,757,502	315,831	312,074	390,386	565,737	1,006,087	2,590,115	14,347,617	13,833,822
Program operating costs	2,394,131	64,231	246,203	2,704,565	12,349	44,644	36,102	27,572	15,650	136,317	2,840,882	3,130,183
Occupancy-allocated	1,110,166	–	--	1,110,166	45,687	3,107	–	(1,158,960)	–	(1,110,166)	–	–
Occupancy-expensed	485,243	7,411	57,497	550,151	–	–	–	636,758	160	636,918	1,187,069	1,194,782
Central services	909,735	597	7,734	918,066	–	122,334	92,873	--	(1,125,539)	(910,332)	7,734	1,894
Professional fees	74,046	73,476	52,701	200,223	2,535	–	6,011	--	56,109	64,655	264,878	331,453
Mortgage interest	–	–	64,657	64,657	–	–	–	--	–	–	64,657	72,882
Supplies	312,460	34		312,494	5,644	6,357	4,936	62,185	80,364	159,486	471,980	413,121
Printing and publications	93,568	1,474	--	95,042	6,622	5,728	8,550	271	3,770	24,941	119,983	107,713
Assistance to organizations	60,879	137,122	--	198,001	–	–	–	--	–	–	198,001	166,698
Local transportation	124,030	–	--	124,030	–	170	681	7,541	–	8,392	132,422	138,462
Assistance to individuals	414,769	142,063	--	556,832	–	–	–	1,533	839	2,372	559,204	481,872
Dues	97,333	63,554	--	160,887	1,645	197	1,985	282	24,234	28,343	189,230	234,448
Postage and shipping	57,881	1,008	--	58,889	2,183	3,744	4,204	--	1,887	12,018	70,907	69,235
Laundry	26,086	–	--	26,086	–	–	–	--	–	–	26,086	28,511
Conferences and meetings	35,807	125	--	35,932	10,069	4,722	3,806	1,422	5,782	25,801	61,733	79,260
Telephone	10,152	–	--	10,152	908	–	–	--	770	1,678	11,830	21,410
Miscellaneous	146,393	24,788	--	171,181	742	1,474	2	--	970	3,188	174,369	155,549
Total expenses before depreciation	18,091,542	534,522	428,792	19,054,856	404,215	504,551	549,536	144,341	71,083	1,673,726	20,728,582	20,461,295
Depreciation	1,821,531	–	26,400	1,847,931	26,801	–	–	--	–	26,801	1,874,732	1,756,886
Total expenses	$ 19,913,073	534,522	455,192	20,902,787	431,016	504,551	549,536	144,341	71,083	1,700,527	22,603,314	22,218,181
2016 Total expenses	$ 19,594,610	584,275	394,662	20,573,547	414,714	508,224	532,071	131,138	58,487	1,644,634		22,218,181

See notes to consolidated financial statements

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.

(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 and limited liability partnerships 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 partnerships, are valued utilizing the most recent relevant information or performance reports of any such managed account or investment partnerships; 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 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 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 net receivable is removed, 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, 2017.

(i) Deferred Revenue

Jewish 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:

	2017	2016
Schrager Supporting Foundation	$ 3,149,384	2,884,221
Goldstein Supporting Foundation	3,256,638	1,880,862
Friedel Jewish Academy	256,805	359,671
Murray and Sharee Newman	255,516	268,132
Others	211,446	102,300
Total	$ 7,129,789	5,495,186

(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 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 entities, awards various scholarships, and provides support to needy individuals. The Federation also makes contributions to the Jewish Federation of North America and other not-for-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 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. For the year ended June 30, 2017, $64,000 is recorded as a tax liability and included within accrued expenses in the consolidated statement of financial position. 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. 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, 2017 and 2016, 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 2013.

(q) 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.

(r) Comparative Amounts

The amounts shown for 2016 in the accompanying consolidated financial statement are included to provide a basis for comparison with 2017, and are not intended to present all information necessary for a fair presentation of the 2016 financial statements in conformity with accounting principles generally accepted in the United States of America.

(s) Recent Accounting Pronouncements

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources-and the changes in those resources-to donors, grantors, creditors, and other financial statement users. This ASU will be effective for the Federation for fiscal years beginning after December 15, 2017. The Federation is currently evaluating the effect that the standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Federation is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Federation has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated financial statements.

(t) Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 reporting format. These reclassifications had no effect on change in net assets.

(u) Subsequent Events

The Federation considered events occurring through December 6, 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.
- 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, 2017 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, 2017.

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, 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. 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 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.

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.

The following table presents the balance of investment securities measured at fair value on a recurring-basis at June 30, 2017 and 2016:

	2017				
		Fair Value			
	Cost	Total	Level 1	Level 2	Level 3
Investments - Fair Value:					
Money market funds	$ 2,139,304	2,139,304	2,139,304	–	–
Vanguard - Balanced Fund	22,219,453	23,025,582	23,025,582	–	–
Bond funds	1,107,472	1,099,819	1,099,819	–	–
Common stocks	843,294	1,528,200	1,528,200	–	–
Corporate bonds	3,333,089	3,324,588	–	3,324,588	–
U.S. government bonds	65,573	64,983	–	64,983	–
Alternative investment - Chicago PEP	15,824,894	23,568,940	–	–	23,568,940
Alternative investment - Boston JCEP	19,838,860	22,470,873	–	–	22,470,873
Alternative investment - other	732,687	2,030,721	–	2,030,721	–
	$ 66,104,626	79,253,010	27,792,905	5,420,292	46,039,813
Investments - Other,					
Insurance cash value		290,604			
Total investments		$ 79,543,614			

	2016				
		Fair Value			
	Cost	Total	Level 1	Level 2	Level 3
Investments - Fair Value:					
Money market funds	$ 1,452,576	1,452,576	1,452,576	–	–
Bond funds	1,160,448	1,152,650	1,152,650	–	–
Common stocks	1,002,585	1,547,783	1,547,783	–	–
Corporate bonds	2,652,449	2,766,300	–	2,766,300	–
U.S. government bonds	116,177	120,781	–	120,781	–
Alternative investment - Chicago PEP	32,152,196	43,672,815	–	–	43,672,815
Alternative investment - Boston JCEP	18,838,861	19,300,432	–	–	19,300,432
Alternative investment - other	675,071	1,744,341	–	1,744,341	–
	$ 58,050,363	71,757,678	4,153,009	4,631,422	62,973,247
Investments - Other,					
Insurance cash value		262,516			
Total investments		$ 72,020,194			

Reconciliation of Level 3 assets for the year ended June 30, 2017 and 2016:

		Alternative Investment - Chicago PEP	Alternative Investment - Boston JCEP	Total
Balance June 30, 2015	$	46,573,585	20,525,309	67,098,894
Withdrawals		(1,300,000)	(900,000)	(2,200,000)
Realized gain		342,300	37,822	380,122
Unrealized loss		(1,943,070)	(362,699)	(2,305,769)
Balance June 30, 2016		43,672,815	19,300,432	62,973,247
Additions		–	1,000,000	1,000,000
Withdrawals		(23,000,000)	–	(23,000,000)
Realized gain		6,850,599	–	6,850,599
Unrealized gain (loss)		(3,954,474)	2,170,441	(1,784,033)
Balance June 30, 2017	$	23,568,940	22,470,873	46,039,813

A summary of all Federation investments as of June 30, 2017 and 2016 is as follows:

	2017	2016
Alternative investments	43.91%	55.72%
Equities	40.80%	17.61%
Money market funds	3.05%	5.48%
Fixed income	7.60%	9.73%
Real assets and other	4.64%	11.46%
	100.00%	100.00%

		2017 Fair Value	2016 Fair Value	Unfunded Commitments	Redemption Frequency and Redemption Notice
Alternative investments -					
Chicago PEP (a)	$	23,568,940	43,672,815	None	See (a) below
Boston JCEP (b)		22,470,873	19,300,432	None	See (b) below
Other (c)		2,030,721	1,744,341	None	See (c) below

Description of Alternative Investments

a) 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 at varying percentages over next five 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) 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 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.

c) Alternative Investments – Other – The Federation is invested in an equity limited partnership as of June 30, 2017. 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.

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 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, 2017 and 2016:

		2017	2016
Net unrealized gains at beginning of year	$	13,707,315	16,065,254
Net unrealized gains at end of year		13,148,384	13,707,315
Change in unrealized		(558,931)	(2,357,939)
Change attributable to custodial funds		90,918	(351,669)
Net change in unrealized loss	$	(749,849)	(2,006,270)

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

The composition of net assets by type of endowment fund at June 30, 2017 and 2016 was:

		2017			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$	1,516,706	4,203,006	15,608,182	21,327,894
Board-designated endowment funds (Quasi)		1,961,522	—	—	1,961,522
Net assets, end of year	$	3,478,228	4,203,006	15,608,182	23,289,416

		2016			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$	642,057	3,518,214	14,775,323	18,935,594
Board-designated endowment funds (Quasi)		1,873,186	—	—	1,873,186
Net assets, end of year	$	2,515,243	3,518,214	14,775,323	20,808,780

The following tables present the changes in endowment fund balances for the years ended June 30, 2017 and 2016:

		2017			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$	2,515,243	3,518,214	14,775,323	20,808,780
Investment return -					
Investment income		3,141	125,982	3,562	132,685
Net realized gain		192,448	1,511,000	192,517	1,895,965
Net unrealized loss		(23,185)	(300,672)	(28,646)	(352,503)
Total investment return		172,404	1,336,310	167,433	1,676,147
Appropriations for expenditure		787,239	(1,421,269)	--	(634,030)
Reclassifications due to change in restrictions		--	--	(138,562)	(138,562)
Contributions		3,342	769,751	803,988	1,577,081
Net assets, end of year	$	3,478,228	4,203,006	15,608,182	23,923,446

		2016		
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Net assets, beginning of year	$ 3,526,763	3,824,113	14,627,665	21,978,541
Investment return -				
Investment income	(10,867)	76,374	(1,340)	64,167
Net realized gain	72,174	2,620	9,399	84,193
Net unrealized loss	(440,219)	(51,206)	(57,222)	(548,647)
Total investment return	(378,912)	27,788	(49,163)	(400,287)
Appropriations for expenditure	(649,100)	(352,628)	--	(1,001,728)
Contributions	16,492	18,941	196,821	232,254
Net assets, end of year	$ 2,515,243	3,518,214	14,775,323	20,808,780

At June 30, 2017 and 2016, the Federation had appropriated temporarily restricted endowment assets in excess of available earnings from the endowed funds in the cumulative amount of approximately $463,167 and $762,450 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.

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 5.25% 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, 2017 and 2016, the pledges receivable are stated at net present value discounted at 5.11% as follows:

	2017	2016
Unconditional promises to give before unamortized discount and allowance for uncollectibles	$ 2,255,999	1,962,026
Less unamortized discount	14,553	14,961
Subtotal	2,241,446	1,947,065
Less allowance for uncollectibles	91,730	77,923
Net unconditional promise to give	$ 2,149,716	1,869,142

Unconditional promises to give at June 30, 2017 are expected to be received in the following periods:

	2017
2018	$ 2,200,299
2019	2,800
2020	2,900
2021	--
2022	--
2023 and after	50,000
	$ 2,255,999

5) Property, Buildings, and Equipment, net

Property, buildings, and equipment consist of the following at June 30, 2017 and 2016:

	2017	2016
Land and land improvements	$ 2,102,625	2,102,625
Buildings and improvements	42,079,040	41,786,533
Equipment	3,439,494	3,011,186
Furniture and fixtures	2,441,284	2,314,899
Vehicles	312,109	218,461
Construction in progress	359,787	217,353
	50,734,339	49,651,057
Less accumulated depreciation	29,555,060	27,680,329
	$ 21,179,279	21,970,728

Construction in progress at June 30, 2017 include costs incurred for a campus renovation project. The project will include aquatic center construction costs as well as facility renovation projects. The first phase of the project is expected to be completed in the summer of 2018. The anticipated cost of the first phase is approximately $15,000,000 and will be funded through contributions. See Note 12 for subsequent events regarding the financing of the project.

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:

2018	$ 101,690
2019	111,505
2020	122,268
2021	134,070
2022	147,011
2023 and after	38,896
	$ 655,440

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 $352,337 and $354,946 for the years ended June 30, 2017 and 2016, 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:

	2017	2016
Endowments	$ 15,608,182	14,775,323
Beneficial interest in charitable remainder trust assets and other split interest agreements, net	2,061,280	2,029,512
	$ 17,669,462	16,804,835

Temporarily restricted net assets are restricted for the following at June 30, 2017 and 2016:

	2017	2016
Rose Blumkin Jewish Home building project	$ 48,016	346,049
Endowments	4,203,006	3,518,214
Restricted-not endowments	435,021	408,590
	$ 4,686,043	4,272,853

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were $1,889,191 and $393,435 for the years ended June 30, 2017 and 2016, respectively.

Unrestricted net assets consist of the following at June 30, 2017 and 2016:

	2017	2016
Undesignated	$ 23,080,499	24,060,170
Donor advised	21,445,030	20,034,296
Designated by the board	18,399,610	16,759,020
Unrestricted Foundation assets	7,039,797	6,358,665
Annual campaign	2,077,135	1,808,000
Board-designated endowment funds (Quasi)	1,961,522	1,873,186
Endowments	1,516,706	642,057
	$ 75,520,299	71,535,394

Net assets designated by the Board are considered unrestricted and consist of the following components as of June 30, 2017 and 2016:

	2017	2016
Rose Blumkin Jewish Home	$ 10,349,492	9,600,682
Federation	3,350,025	3,136,881
Discretionary	1,729,027	1,575,416
Campus funds	1,877,310	1,307,953
JSO	727,543	696,722
Foundation	126,460	193,383
Youth/scholarship funds	105,309	77,271
Agency custodial	30,944	76,324
Press	48,027	46,104
JCC	52,113	43,524
Multi-purpose/other	3,360	4,760
	$ 18,399,610	16,759,020

10) Medical Malpractice Coverage and Claims

The Federation carries a professional liability policy (including malpractice) as well as an umbrella policy which provides professional liability coverage. These policies provide coverage on a claims-made basis covering only the claims which have occurred and are reported to the insurance company while the coverage is in force. The Federation could have exposure on possible incidents that have occurred for which claims will be made in the future, should professional liability insurance not be obtained or should coverage be limited and/or not available.

Accounting principles generally accepted in the United States of America requires a healthcare provider to recognize the ultimate costs of malpractice claims or similar contingent liabilities, which include costs associated with litigating or settling claims, when the incidents that give rise to the claims occur. The Federation does evaluate all incidents and claims along with prior claim experienced to determine if a liability is to be recognized. For the years ending June 30, 2017 and 2016, management determined no liability should be recognized for asserted or unasserted claims. Management is not aware of any such claim that would have a material adverse impact on the accompanying consolidated financial statements.

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, 2017 and 2016, related party contributions were approximately $766,000 and $1,413,000 respectively.

12) Subsequent Events

Subsequent to year end, the Federation received three irrevocable pledge agreements to cover campus renovation project costs up $15,000,000. As discussed in Note 5, the first phase of the campus renovation project is expected to be completed in the summer of 2018. Funding for subsequent phases of the campus renovation project will be obtained through additional contributions or internal funds.

SUPPLEMENTAL DATA

Schedule 1

JEWISH FEDERATION OF OMAHA, INC.
Unrestricted Current Fund—
Program Revenue by Program Service
For the Year Ended June 30, 2017
With Comparative Totals for 2016

		Jewish Federation	Jewish Community Center	Rose Blumkin Jewish Home	Jewish Family Services	Community Engagement and Education	Jewish Senior Outreach	Jewish Press	Community Relations Committee	Federation Manor, Inc.	Total 2017	Total 2016
Elderly resident fees	$	–	–	5,136,873	–	–	–	–	–	–	5,136,873	4,796,228
Federal and state old age assistance		–	–	5,006,006	–	–	–	–	–	–	5,006,006	4,654,127
Program services		215,650	3,067,625	–	142,297	6,591	276,235	–	17,022	7,175	3,732,595	3,457,812
Membership dues		–	2,286,530	–	–	–	–	–	120	–	2,286,650	2,189,590
Advertising		–	–	–	–	–	–	226,577	–	–	226,577	150,211
Miscellaneous		11,610	30,017	29,253	1,234	1,639	10	15,124	283	–	89,170	115,886
Rental income		41,408	70,296	9,000	–	–	–	1,000	–	519,834	641,538	670,728
	$	268,668	5,454,468	10,181,132	143,531	8,230	276,245	242,701	17,425	527,009	17,119,409	16,034,582
2016 Totals	$	344,620	4,943,683	9,510,681	121,197	88,116	328,261	169,799	8,667	519,558		16,034,582