



The Jewish Federation OF OMAHA

JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES

Consolidated Financial Statements and
Supplemental Financial Information

June 30, 2019,
with Comparative Totals for 2018

(Together with Independent Auditor's Report)

JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES



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WITH COMPARATIVE TOTALS FOR 2018**

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Jewish Federation of Omaha, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2019, 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 (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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. and Affiliates as of June 30, 2019, 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 Comparative Information

We have previously audited the Jewish Federation of Omaha, Inc. and Affiliates 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the Jewish Federation of Omaha, Inc. and Affiliates adopted new accounting guidance related to Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Seim Johnson, LLP

Omaha, Nebraska,
January 7, 2020.



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES
 Consolidated Statement of Financial Position
 June 30, 2019
 With Comparative Totals for 2018

Assets	Without Donor Restriction	With Donor Restriction	Total	
			2019	2018
Cash and cash equivalents	\$ 352,303	2,140,677	2,492,980	1,249,950
Investments, including investments limited as to use	73,930,918	25,059,754	98,990,672	95,793,211
Pledges receivable, net	1,889,397	2,641,500	4,530,897	2,060,448
Other receivables, less allowance for doubtful accounts of \$31,898 and \$47,291 in 2019 and 2018, respectively	1,143,473	–	1,143,473	1,071,909
Beneficial interest in charitable remainder trust assets and other split interest agreements, net	–	2,553,248	2,553,248	2,376,718
Other assets	694,824	–	694,824	621,858
Property, buildings, and equipment, net	26,247,951	–	26,247,951	26,551,725
Total assets	\$ 104,258,866	32,395,179	136,654,045	129,725,819
Liabilities and Net Assets				
Liabilities:				
Accounts payable - trade	\$ 349,167	–	349,167	572,107
Accounts payable - property, buildings and equipment	431,554	–	431,554	1,226,041
Accrued expenses	1,493,999	–	1,493,999	1,211,651
Deferred revenue	660,826	–	660,826	612,436
Annuities and trusts payable	–	167,002	167,002	182,347
Custodial funds	11,194,078	–	11,194,078	10,986,738
Mortgage payable	442,245	–	442,245	553,750
Total liabilities	14,571,869	167,002	14,738,871	15,345,070
Net assets	89,686,997	32,228,177	121,915,174	114,380,749
Total liabilities and net assets	\$ 104,258,866	32,395,179	136,654,045	129,725,819

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES

Consolidated Statement of Activities
For the Year Ended June 30, 2019
With Comparative Totals for 2018

	Without Donor Restriction	With Donor Restriction	Total	
			2019	2018
Public support, program and investment revenue:				
Public support:				
Contributions	\$ 7,828,752	4,774,125	12,602,877	19,987,473
Contributions—United Way of the Midlands	15,563	—	15,563	34,155
Grants	464,011	30,019	494,030	621,678
Total public support	8,308,326	4,804,144	13,112,470	20,643,306
Program revenue:				
Elderly resident fees -				
Private pay and ancillary	5,114,631	—	5,114,631	5,103,615
Medicaid	3,047,228	—	3,047,228	3,105,451
Medicare	2,061,914	—	2,061,914	2,201,600
Other insurance payors	219,565	—	219,565	282,313
Program services	4,420,363	—	4,420,363	4,048,722
Membership dues	2,885,560	—	2,885,560	2,458,113
Rental income	630,581	—	630,581	644,624
Advertising	169,224	—	169,224	175,592
Miscellaneous	85,072	5,200	90,272	97,180
Total program revenue	18,634,138	5,200	18,639,338	18,117,210
Investment revenue:				
Change in value of split interest agreements	—	215,679	215,679	225,719
Investment income	645,159	163,398	808,557	710,087
Realized gain on investments, net	305,283	25,655	330,938	892,182
Unrealized gain on investments	2,313,763	396,147	2,709,910	2,850,073
Total investment revenue, net	3,264,205	800,879	4,065,084	4,678,061
Total public support, program and investment revenue	30,206,669	5,610,223	35,816,892	43,438,577
Net assets released from restrictions	691,409	(691,409)	—	—
Expenses:				
Program services:				
Jewish Community Center	7,937,543	—	7,937,543	6,719,268
Rose Blumkin Jewish Home	11,498,373	—	11,498,373	11,371,191
Community Engagement and Education	939,479	—	939,479	1,076,160
Jewish Family Service	568,975	—	568,975	486,738
Community Relations Committee	530,127	—	530,127	498,833
Jewish Senior Outreach	529,455	—	529,455	471,425
Jewish Press	461,111	—	461,111	426,426
Jewish Federation and Foundation	652,679	—	652,679	616,453
Federation Manor, Inc.	481,656	—	481,656	334,445
Total program services	23,599,398	—	23,599,398	22,000,939
Supporting services:				
Management and general	341,053	—	341,053	546,885
Federation fundraising	796,830	—	796,830	598,224
Foundation fundraising	496,841	—	496,841	467,440
Occupancy	313,964	—	313,964	302,825
Central services	—	—	—	21,273
Total supporting services	1,948,688	—	1,948,688	1,936,647
Contributions to nonprofit organizations and assistance:				
Jewish Federation of North America	700,000	—	700,000	700,000
Other	2,034,381	—	2,034,381	2,296,046
Total contributions	2,734,381	—	2,734,381	2,996,046
Total expenses	28,282,467	—	28,282,467	26,933,632
Change in restrictions	23,804	(23,804)	—	—
Change in net assets	2,639,415	4,895,010	7,534,425	16,504,945
Net assets at beginning of year (Note 12)	87,047,582	27,333,167	114,380,749	97,875,804
Net assets at end of year	\$ 89,686,997	32,228,177	121,915,174	114,380,749

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES
 Consolidated Statement of Functional Expenses
 For the Year Ended June 30, 2019
 With Comparative Totals for 2018

	Program Services											Total carried forward
	Jewish Community Center			Rose Blumkin Jewish Home			Community Engagement and Education	Jewish Family Service	Community Relations Committee	Jewish Senior Outreach	Jewish Press	
	Program Services	Management and General	Total	Program Services	Management and General	Total						
Salaries—professional	\$ 709,670	396,324	1,105,994	581,278	344,606	925,884	143,032	284,772	159,144	107,959	148,734	2,875,519
Salaries—program	2,310,237	167,518	2,477,755	4,871,886	94,863	4,966,749	16,825	1,194	91,453	107,472	30,930	7,692,378
Employee health and benefits	372,096	53,503	425,599	685,540	34,718	720,258	9,572	13,616	22,357	29,025	21,309	1,241,736
Payroll taxes	249,057	41,883	290,940	513,596	34,589	548,185	13,244	23,349	19,595	19,635	13,851	928,799
Total salaries and related expenses	3,641,060	659,228	4,300,288	6,652,300	508,776	7,161,076	182,673	322,931	292,549	264,091	214,824	12,738,432
Program operating costs	382,678	138,812	521,490	1,631,808	132,222	1,764,030	60,080	26,589	77,780	142,520	13,972	2,606,461
Occupancy—allocated	1,140,211	—	1,140,211	378	—	378	36,337	15,820	22,352	—	12,488	1,227,586
Occupancy—expensed	1,070	—	1,070	492,904	325	493,229	664	6,893	—	2,733	—	504,589
Central services	—	414,269	414,269	—	507,230	507,230	131,743	73,056	83,577	44,477	100,463	1,354,815
Professional fees	6,640	5,150	11,790	33,426	13,761	47,187	54,269	80	301	17	3,634	117,278
Mortgage interest	—	—	—	—	—	—	—	—	—	—	—	—
Supplies	64,802	41,805	106,607	137,627	54,376	192,003	2,043	16,995	1,692	—	4,518	323,858
Printing and publications	12,891	49,162	62,053	966	6,654	7,620	4,087	6,727	10,004	397	47,023	137,911
Assistance to organizations	—	—	—	—	—	—	60,063	—	250	—	—	60,313
Local transportation	6,994	—	6,994	65,222	4,042	69,264	5,850	453	2,200	53,702	2,814	141,277
Assistance to individuals	—	—	—	—	—	—	343,735	60,996	1,000	737	—	406,468
Dues	2,698	36,115	38,813	17,191	36,389	53,580	670	2,887	195	626	1,318	98,089
Postage and shipping	1,272	39,598	40,870	6,807	5,334	12,141	1,172	1,936	2,374	484	28,091	87,068
Laundry	28,349	274	28,623	583	—	583	—	—	—	—	—	29,206
Conferences, and meetings	5,588	7,716	13,304	11,429	17,549	28,978	60	1,140	3,048	1,147	—	47,677
Telephone	—	1,004	1,004	7,768	2,938	10,706	790	502	27	1,664	—	14,693
Miscellaneous	1,976	1,347	3,323	28,258	34,652	62,910	652	2,479	471	3,887	7,699	81,421
Total expenses before depreciation	5,296,229	1,394,480	6,690,709	9,086,667	1,324,248	10,410,915	884,888	539,484	497,820	516,482	436,844	19,977,142
Depreciation	1,166,729	80,105	1,246,834	—	1,087,458	1,087,458	54,591	29,491	32,307	12,973	24,267	2,487,921
Total expenses	\$ 6,462,958	1,474,585	7,937,543	9,086,667	2,411,706	11,498,373	939,479	568,975	530,127	529,455	461,111	22,465,063
2018 Total expenses	\$ 5,407,742	1,311,526	6,719,268	10,218,687	1,152,504	11,371,191	1,076,160	486,738	498,833	471,425	426,426	21,050,041

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES
 Consolidated Statement of Functional Expenses
 For the Year Ended June 30, 2019
 With Comparative Totals for 2018

	Program Services				Supporting Services						Total	
	Total Brought Forward	Jewish Federation and Foundation	Federation Manor, Inc.	Total	Management and General	Jewish Federation Fundraising	Jewish Foundation Fundraising	Occupancy	Central Services	Total	2019	2018
Salaries—professional	\$ 2,875,519	66,738	—	2,942,257	394,700	296,837	266,035	—	766,852	1,724,424	4,666,681	4,310,002
Salaries—program	7,692,378	11,347	—	7,703,725	48,413	49,826	36,316	468,047	97,145	699,747	8,403,472	8,119,138
Employee health and benefits	1,241,736	3,173	—	1,244,909	27,966	30,213	16,274	67,080	152,365	293,898	1,538,807	1,528,062
Payroll taxes	928,799	6,059	—	934,858	27,278	27,381	22,564	43,018	64,028	184,269	1,119,127	1,057,949
Total salaries and related expenses	12,738,432	87,317	—	12,825,749	498,357	404,257	341,189	578,145	1,080,390	2,902,338	15,728,087	15,015,151
Program operating costs	2,606,461	185,000	305,151	3,096,612	27,497	77,056	31,068	20,010	64,186	219,817	3,316,429	3,181,834
Occupancy—allocated	1,227,586	—	—	1,227,586	44,411	6,180	—	(1,278,177)	—	(1,227,586)	—	—
Occupancy—expensed	504,589	8,673	56,984	570,246	—	—	—	948,426	—	948,426	1,518,672	1,300,861
Central services	1,354,815	—	—	1,354,815	(289,719)	247,478	101,569	—	(1,414,143)	(1,354,815)	—	2,710
Professional fees	117,278	22,967	55,136	195,381	563	29,032	2,116	—	73,323	105,034	300,415	359,200
Mortgage interest	—	—	45,753	45,753	—	—	—	—	—	—	45,753	55,640
Supplies	323,858	518	—	324,376	3,917	6,329	3,773	37,043	128,412	179,474	503,850	457,233
Printing and publications	137,911	1,866	—	139,777	4,227	13,154	7,387	1,970	6,621	33,359	173,136	135,194
Assistance to organizations	60,313	83,064	—	143,377	—	—	—	—	—	—	143,377	170,587
Local transportation	141,277	—	—	141,277	—	149	596	417	35	1,197	142,474	168,867
Assistance to individuals	406,468	177,591	—	584,059	—	—	—	596	13,489	14,085	598,144	551,595
Dues	98,089	64,046	—	162,135	1,561	139	1,406	1,703	36,026	40,835	202,970	207,200
Postage and shipping	87,068	165	—	87,233	1,874	8,734	3,634	7	2,934	17,183	104,416	93,767
Laundry	29,206	—	—	29,206	—	—	—	591	—	591	29,797	21,326
Conferences and meetings	47,677	1,291	—	48,968	10,893	2,593	2,803	1,521	1,916	19,726	68,694	91,364
Telephone	14,693	—	—	14,693	2,162	—	—	1,712	1,210	5,084	19,777	16,080
Miscellaneous	81,421	20,181	—	101,602	1,098	1,729	1,300	—	5,601	9,728	111,330	150,294
Total expenses before depreciation	19,977,142	652,679	463,024	21,092,845	306,841	796,830	496,841	313,964	—	1,914,476	23,007,321	21,978,903
Depreciation	2,487,921	—	18,632	2,506,553	34,212	—	—	—	—	34,212	2,540,765	1,958,683
Total expenses	\$ 22,465,063	652,679	481,656	23,599,398	341,053	796,830	496,841	313,964	—	1,948,688	25,548,086	23,937,586
2018 Total expenses	\$ 21,050,041	616,453	334,445	22,000,939	546,885	598,224	467,440	302,825	21,273	1,936,647		23,937,586

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2019

With Comparative Totals for 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,534,425	16,504,945
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions and investment income -		
Contributions for property, buildings and equipment	(5,397,822)	(6,944,180)
Contributions with donor restrictions	(1,035,628)	(4,161,030)
Change in value of split interest agreements, net	(176,530)	(81,389)
Realized gain on investments	(330,938)	(892,182)
Change in unrealized gain on investments	(2,709,910)	(2,850,073)
Depreciation	2,540,765	1,958,683
Decrease (increase) in:		
Pledges receivable	(2,470,449)	89,268
Other receivables	(71,564)	11,407
Other assets	(72,966)	(58,623)
Increase (decrease) in:		
Accounts payable - trade	(222,940)	163,489
Accrued expenses	282,348	14,706
Deferred revenue	48,390	73,409
Annuities and trusts payable	(15,345)	(51,702)
Custodial funds, net	207,340	3,856,949
Net cash provided by (used in) operating activities	<u>(1,890,824)</u>	<u>7,633,677</u>
Cash flows from investing activities:		
Purchase of property, buildings, and equipment, net	(3,031,479)	(6,467,789)
Purchase of investments	(1,134,135)	(25,061,533)
Proceeds from maturities and sales of investments	977,523	13,997,051
Net cash used in investing activities	<u>(3,188,091)</u>	<u>(17,532,271)</u>
Cash flows from financing activities:		
Principal payments on mortgage payable	(111,505)	(101,690)
Contributions and investment income -		
Donor restricted for property, buildings, and equipment	5,397,822	6,944,180
Contributions with donor restrictions	1,035,628	4,161,030
Net cash provided by financing activities	<u>6,321,945</u>	<u>11,003,520</u>
Increase in cash and cash equivalents	1,243,030	1,104,926
Cash and cash equivalents at beginning of year	<u>1,249,950</u>	<u>145,024</u>
Cash and cash equivalents at end of year	<u>\$ 2,492,980</u>	<u>1,249,950</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 45,753	55,640

See notes to consolidated financial statements



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019
with Comparative Totals for 2018

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 the following classes of net assets:

Net assets without donor restrictions are those net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Federation. Net assets without donor restrictions include undesignated net assets and net assets subject to designation by the Board of Directors.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019
with Comparative Totals for 2018

(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 perpetually restricted assets and annuity and life income funds are included in investments.

(e) *Liquidity and Availability*

Financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows:

	2019
Financial assets:	
Cash and cash equivalents	\$ 2,492,980
Investments, including investments limited as to use	98,990,672
Pledges receivable, net	4,530,897
Other receivables	1,143,473
Total financial assets	<u>107,158,022</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restriction -	
Donor restricted	66,315,574
Donor restricted pledge for construction project	2,641,500
Donor restricted cash and cash equivalents for construction project	2,140,677
Board designations	<u>22,565,343</u>
Total unavailable	<u>93,663,094</u>
Financial assts available for general expenditures	<u>\$ 13,494,928</u>

The Federation endowment funds consist of donor-restricted endowment and quasi-endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The payout rate for most endowments and the quasi-endowments is 5% for the next 12 months. Total endowment revenue for the next 12 months is \$507,841. The Federation's policy is to structure financial assets to be available as its general expenditures, liabilities and other obligations come due. See Note 3 below for additional information on endowment policy, balances and activity.



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019
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In addition, cash available within general operations that exceeds daily requirements is invested in an FDIC insured sweep account to minimize risk and generate interest income. Although it is anticipated that liquid funds are sufficient to cover anticipated obligations, the Federation also has Board Designated and quasi-endowment funds available. Although the Federation does not intend to spend principal from these funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the funds could be made available if necessary. However, a portion of these funds contain investments with lock-up provisions that would reduce the total amounts that could be made available within 12 months.

(f) 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 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/investments 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 net assets without donor restriction. Other investment return is reflected in the statement of activities as with donor restriction and without donor restriction 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.



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(g) 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 consolidated statement of financial position.

(h) 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.

(i) 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.



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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, 2019.

(j) *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.

(k) *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 in the consolidated statement of financial position. Custodial funds are listed below:

	<u>2019</u>	<u>2018</u>
Schrager Supporting Foundation	\$ 3,551,879	3,683,087
Goldstein Supporting Foundation	6,516,151	6,217,236
Friedel Jewish Academy	224,581	161,592
Murray and Sharee Newman	256,859	277,371
Others	644,608	647,452
Total	<u>\$ 11,194,078</u>	<u>10,986,738</u>

(l) *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.



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(m) 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. If contributions are received with donor stipulations that limit the use of the donated assets it is reported as a contribution with donor restriction. When a donor restriction expires; that is, when a stipulated restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated statement of activities.

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.

(n) 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.

(o) Contributions to Not-for-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.

(p) 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.



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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.

(q) *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. 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, 2019 and 2018, 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 2014.

(r) *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, 2018, there were no nonfinancial assets or liabilities measured at fair value in the financial statements on a nonrecurring basis.

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

(s) *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.



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(t) ***Comparative Amounts***

The amounts shown for 2018 in the accompanying consolidated financial statement are included to provide a basis for comparison with 2019, and are not intended to present all information necessary for a fair presentation of the 2018 financial statements in conformity with accounting principles generally accepted in the United States of America.

(u) ***Change in Accounting Principle***

During 2019, the Federation adopted the provisions of FASB ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This ASU made several changes to accounting and financial reporting standards for not-for-profit entities related to net assets, and disclosure requirements.

See Note 12 for additional information regarding the impact of these changes in the Federation's financial statements.

(v) ***Reclassifications***

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 reporting format. These reclassifications had no effect on change in net assets.

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, 2019 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.



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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, 2019.

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

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



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The following table presents the balance of investment securities measured at fair value on a recurring-basis at June 30, 2019 and 2018:

		2019				
		Cost	Fair Value			
		Total	Level 1	Level 2	Level 3	
Money market funds	\$	2,799,582	2,799,582	2,799,582	–	–
Vanguard - Balanced Fund		27,264,808	28,555,535	28,555,535	–	–
Sequoia Fund, Inc. - Long Term Growth		1,282,022	1,142,764	1,142,764	–	–
State of Israel bonds		1,000,000	1,000,000	1,000,000	–	–
Common stocks		843,294	1,910,100	1,910,100	–	–
Corporate bonds		2,918,277	2,940,027	–	2,940,027	–
U.S. government bonds		2,325	2,371	–	2,371	–
Alternative investment - Chicago PEP		17,624,894	28,232,362	–	–	28,232,362
Alternative investment - Boston JCEP		22,738,861	27,732,630	–	–	27,732,630
Alternative investment - other		911,458	2,688,133	–	2,688,133	–
	\$	<u>77,385,521</u>	<u>97,003,504</u>	<u>35,407,981</u>	<u>5,630,531</u>	<u>55,964,992</u>
Investments - Other:						
Investment in brokered CDs			1,658,285			
Insurance cash value			328,883			
Total investments			<u>98,990,672</u>			
		2018				
		Cost	Fair Value			
		Total	Level 1	Level 2	Level 3	
Money market funds	\$	3,700,609	3,700,609	3,700,609	–	–
Vanguard - Balanced Fund		25,994,296	26,479,914	26,479,914	–	–
Sequoia Fund, Inc. - Long Term Growth		1,830,428	1,883,988	1,883,988	–	–
State of Israel bonds		998,923	989,023	989,023	–	–
Common stocks		843,294	1,692,240	1,692,240	–	–
Corporate bonds		3,008,343	2,882,597	–	2,882,597	–
U.S. government bonds		3,967	4,088	–	4,088	–
Alternative investment - Chicago PEP		16,924,894	26,538,916	–	–	26,538,916
Alternative investment - Boston JCEP		22,738,861	26,902,295	–	–	26,902,295
Alternative investment - other		826,899	2,665,872	–	2,665,872	–
	\$	<u>76,870,514</u>	<u>93,739,542</u>	<u>34,745,774</u>	<u>5,552,557</u>	<u>53,441,211</u>
Investments - Other:						
Investment in brokered CDs			1,748,512			
Insurance cash value			305,157			
Total investments			<u>95,793,211</u>			



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Investments include amounts limited as to use by donor agreements as well as internally designated by the Board of Directors. The following is a summary of investments by limitation as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
By donor agreement -		
Custodial funds	\$ 11,320,556	10,954,719
Endowments	27,207,575	25,844,446
Restricted-non endowment	738,715	708,420
Donor advised funds	27,048,728	25,669,901
Total by donor agreement	<u>66,315,574</u>	<u>63,177,486</u>
By Board designation:		
Endowment funds (Quasi)	2,068,403	2,044,908
Campus funds	1,513,732	2,069,008
Agencies	16,896,853	15,898,204
Scholarships	106,738	108,229
Discretionary	1,979,617	2,119,404
Total by Board designation	<u>22,565,343</u>	<u>22,239,753</u>
Total investments limited as to use	88,880,917	85,417,239
Investments, held for operations	3,003,263	3,326,686
Investments, held for specific Agency	7,106,492	7,049,286
Total investments, including investements limited as to use	<u>\$ 98,990,672</u>	<u>95,793,211</u>

Reconciliation of level 3 assets for the years ended June 20, 2019 and 2018:

		<u>Alternative Investment - Chicago PEP</u>	<u>Alternative Investment - Boston JCEP</u>	<u>Total</u>
Balance June 30, 2017	\$	23,568,940	22,470,873	46,039,813
Additions		1,100,000	2,900,000	4,000,000
Unrealized gain		1,869,976	1,531,422	3,401,398
Balance June 30, 2018		26,538,916	26,902,295	53,441,211
Additions		700,000	-	700,000
Unrealized gain		993,446	830,335	1,823,781
Balance June 30, 2019	\$	<u>28,232,362</u>	<u>27,732,630</u>	<u>55,964,992</u>

A summary of Federation alternative investments as of June 30, 2019 and 2018 is as follows:



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	<u>2019 Fair Value</u>	<u>2018 Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency and Redemption Notice</u>
Alternative investments -				
Chicago PEP (a)	\$ 28,232,362	26,538,916	None	See (a) below
Boston JCEP (b)	27,732,630	26,902,295	None	See (b) below
Other (c)	2,688,133	2,665,872	None	See (c) below

Description of Investment Securities with Liquidation Restrictions

The Federation is invested in the Sequoia Fund, Inc. (“Sequoia”) as of June 30, 2019. Withdrawals and contributions are permitted on any day the Market is open. Sequoia has adopted a policy under which Sequoia may limit cash payments in connection with redemption requests to \$250,000 during any ninety day period. As a result, Sequoia may pay the Federation in securities or partly in securities if the amount of Sequoia shares that the Federation redeems is more than \$250,000. It is highly likely that Sequoia will pay the Federation in securities or partly in securities if the Federation makes a redemption or series of redemptions in an amount greater than \$250,000.

Description of Alternative Investments

The following describes the Federation’s 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.



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The Chicago PEP invests in many investment fund types that involve public and private 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 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.



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- c) Alternative Investments – Other – The Federation is invested in an equity limited partnership as of June 30, 2019. 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.

Unrealized Gains and Losses

The following is a reconciliation of unrealized gains (losses) for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Net unrealized gains at beginning of year	\$ 16,869,028	13,148,384
Net unrealized gains at end of year	<u>19,617,983</u>	<u>16,869,028</u>
Total change in unrealized gains	2,748,955	3,720,644
Change attributable to custodial funds	<u>(39,045)</u>	<u>(870,571)</u>
Net change in unrealized gains	<u>\$ 2,709,910</u>	<u>2,850,073</u>

3) Endowment

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

Federation endowments consist of funds established to invest perpetually 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.



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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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor restricted amounts not retained in perpetuity are subject to appropriation 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, 2019 and 2018 was:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ 2,540,475	24,667,100	27,207,575
Board-designated endowment funds (Quasi)	2,073,433	—	2,073,433
Net assets, end of year	<u>\$ 4,613,908</u>	<u>24,667,100</u>	<u>29,281,008</u>
	2018		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ 2,326,005	23,518,441	25,844,446
Board-designated endowment funds (Quasi)	2,044,908	—	2,044,908
Net assets, end of year	<u>\$ 4,370,913</u>	<u>23,518,441</u>	<u>27,889,354</u>



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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The following tables present the changes in endowment balances for the years ended June 30, 2019 and 2018:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Net assets, beginning of year	\$ 4,370,913	23,518,441	27,889,354
Investment return -			
Investment income	17,521	287,067	304,588
Net realized gain	7,643	78,478	86,121
Net unrealized gain	63,967	895,636	959,603
Appropriation for expenditure	(338,451)	(689,131)	(1,027,582)
Reclassifications due to change in restriction	426,495	(426,495)	--
Contributions	65,820	1,003,104	1,068,924
Net assets, end of year	<u>\$ 4,613,908</u>	<u>24,667,100</u>	<u>29,281,008</u>
	2018		
	Without Donor Restriction	With Donor Restriction	Total
Net assets, beginning of year	\$ 3,606,332	19,677,914	23,284,246
Investment return -			
Investment income	14,266	244,299	258,565
Net realized gain	1,575	15,475	17,050
Net unrealized gain	102,521	911,422	1,013,943
Appropriation for expenditure	119,312	(1,146,046)	(1,026,734)
Reclassifications due to change in restriction	433,875	(433,875)	--
Contributions	93,032	4,249,252	4,342,284
Net assets, end of year	<u>\$ 4,370,913</u>	<u>23,518,441</u>	<u>27,889,354</u>

At June 30, 2019 and 2018, the Federation had appropriated endowment assets with donor restrictions in excess of available earnings from the endowed funds. Below is a summary of the original donor-restricted gifts whereby appropriations have exceeded available earnings:

	2019	2018
Original donor-restricted endowment gifts	\$ 4,915,783	3,409,214
Appropriations in excess of earnings	<u>(174,415)</u>	<u>(133,274)</u>
Net donor-restricted endowment gifts	<u>\$ 4,741,368</u>	<u>3,275,940</u>



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES

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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% 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 perpetual 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.



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES

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4) Pledges Receivable

At June 30, 2019 and 2018, the pledges receivable are stated at net present value discounted at 5.11% as follows:

	<u>2019</u>	<u>2018</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 4,619,133	2,151,515
Less unamortized discount	—	12,400
Subtotal	4,619,133	2,139,115
Less allowance for uncollectibles	88,236	78,667
Net unconditional promise to give	<u>\$ 4,530,897</u>	<u>2,060,448</u>

Unconditional promises to give at June 30, 2019 are expected to be received in the following periods:

	<u>2019</u>
June 30, 2020	\$ <u>4,619,133</u>

5) Property, Buildings, and Equipment, net

Property, buildings, and equipment consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 3,287,415	2,347,134
Buildings and improvements	47,800,655	47,027,521
Equipment	4,382,362	4,085,979
Furniture and fixtures	2,694,925	2,515,117
Vehicles	215,270	280,244
Construction in progress	1,774,621	1,773,094
	60,155,248	58,029,089
Less accumulated depreciation	<u>33,907,297</u>	<u>31,477,364</u>
	<u>\$ 26,247,951</u>	<u>26,551,725</u>

Construction in progress at June 30, 2019 includes costs incurred for a JCC Capital Campus Project. The initial first phase of the project, composed of an outdoor pool, renovation of the fitness center, and landscaping and painting of the exterior was substantially complete by June 30, 2019. Total cost for the JCC Capital Campus Project is estimated as \$32 million. Funding for the project has been funded through internal operations as well as donor contributions. It is the Federation's policy to not commit to project components until at least 80% of expected costs are covered with funding commitments from donors.



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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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:

2020	\$	122,268
2021		134,070
2022		147,011
2023		<u>38,896</u>
	\$	<u>442,245</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 \$382,980 and \$360,235 for the years ended June 30, 2019 and 2018, 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

Net assets with donor restriction consist of endowments and other assets restricted by donor agreement. Endowment agreements stipulate resources be maintained in perpetuity, but permit the Federation to expend part or all of the income (or other economic benefits) derived from the donated assets for various purposes.



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019
with Comparative Totals for 2018

Net assets with donor restriction consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Endowments	\$ 24,667,100	23,518,441
Restricted-non endowments	394,605	589,725
Beneficial interest in charitable remainder trust assets and other split interest agreements, net	2,386,246	2,194,371
JCC Project	<u>4,780,226</u>	<u>1,030,630</u>
	<u>\$ 32,228,177</u>	<u>27,333,167</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were \$691,409 and \$1,211,178 for the years ended June 30, 2019 and 2018, respectively.

Net assets without donor restriction consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 28,526,703	27,743,573
Donor advised	27,048,729	25,669,901
Designated by the board	20,491,910	20,194,843
Foundation assets without donor restrictions	7,106,499	7,049,286
Annual campaign	1,899,248	2,019,066
Board-designated endowment funds (Quasi)	2,073,433	2,044,908
Endowments	<u>2,540,475</u>	<u>2,326,005</u>
	<u>\$ 89,686,997</u>	<u>87,047,582</u>



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Net assets designated by the Board are considered net assets without donor restriction and consist of the following components as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Rose Blumkin Jewish Home	\$ 12,477,113	11,465,117
Federation	3,529,699	3,465,973
Discretionary	1,946,762	2,084,896
Campus funds	1,513,732	2,069,008
JSO	685,317	735,499
Youth/scholarship funds	106,738	108,229
Foundation	55,245	95,256
JCC	95,686	82,445
Press	48,763	48,769
Agency custodial	31,674	32,556
JFS	-	5,143
Multi-purpose/other	1,181	1,952
	<u>\$ 20,491,910</u>	<u>20,194,843</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 2019 and 2018. 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, 2019 and 2018, related party contributions were approximately \$2,335,306 and \$1,515,740 respectively.



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019
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12) Change in Accounting Principle

Effective July 1, 2018, the Federation adopted the provisions of FASB ASU 2016-14, *Not-for-Profit Entities*. ASU 2016-14 made several changes to accounting and financial reporting for not-for-profit entities, including changes to the presentation of net assets, qualitative and quantitative information of how an entity manages liquidity and availability of financial assets to meet needs for expenditures, reporting of expenses by natural classification and functional classification, as well as expanded footnote disclosures. As a result of adopting ASU 2016-14, net assets previously described as unrestricted are now identified as net assets without donor restrictions and net assets previously described as temporarily or permanently restricted are now identified as net assets with donor restrictions.

In addition, as a result of adopting ASU No. 2016-14, underwater (when appropriations exceed available earnings) endowment funds are now reported as a reduction in net assets with donor restrictions. As a result, \$133,274 of underwater endowments that were previously reported in net assets without donor restrictions are now reported in net assets with donor restrictions for fiscal year 2018.

SUPPLEMENTAL DATA



JEWISH FEDERATION OF OMAHA, INC. AND AFFILIATES
 Net Assets without Restriction Current Fund—
 Program Revenue by Program Service
 For the Year Ended June 30, 2019
 With Comparative Totals for 2018

	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	
										2019	2018
Elderly resident fees -											
Private pay and ancillary	\$ --	--	5,114,631	--	--	--	--	--	--	5,114,631	5,103,615
Medicaid	--	--	3,047,228	--	--	--	--	--	--	3,047,228	3,105,451
Medicare	--	--	2,061,914	--	--	--	--	--	--	2,061,914	2,201,600
Other insurance payors	--	--	219,565	--	--	--	--	--	--	219,565	282,313
Program services	268,030	3,771,166	330	66,328	19,938	274,593	--	11,332	8,646	4,420,363	4,048,722
Membership dues	--	2,885,560	--	--	--	--	--	--	--	2,885,560	2,458,113
Rental income	37,103	63,029	9,000	--	--	4,000	1,000	--	516,449	630,581	644,624
Advertising	--	--	--	--	--	--	169,224	--	--	169,224	175,592
Miscellaneous	17,296	28,891	26,999	2,298	100	1,526	7,441	521	--	85,072	97,180
	<u>\$ 322,429</u>	<u>6,748,646</u>	<u>10,479,667</u>	<u>68,626</u>	<u>20,038</u>	<u>280,119</u>	<u>177,665</u>	<u>11,853</u>	<u>525,095</u>	<u>18,634,138</u>	<u>18,117,210</u>
2018 Totals	<u>\$ 370,760</u>	<u>5,789,134</u>	<u>10,741,719</u>	<u>113,180</u>	<u>79,862</u>	<u>299,372</u>	<u>190,709</u>	<u>13,227</u>	<u>519,247</u>	<u>18,634,138</u>	<u>18,117,210</u>