

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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015



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

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3 - 4
Consolidated Statements of Cash Flows	5 - 6
Consolidated Statements of Functional Expenses	7 - 8
Notes to Consolidated Financial Statements	9 - 29

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jewish Federation of Palm Beach County, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Jewish Federation of Palm Beach County, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Jewish Federation of Palm Beach County, Inc. and Affiliates as of June 30, 2016 and 2015, and the changes in their consolidated net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Fort Lauderdale, Florida
December 13, 2016

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	2016	2015
Cash and cash equivalents	\$ 12,037,941	\$ 13,258,896
Restricted cash	2,816,028	2,947,095
Investments	93,678,696	100,820,241
Annual campaign pledges receivable, net	7,665,041	6,596,569
Capital campaign pledges receivable, net	2,223,826	3,021,392
Prepaid expenses and other assets	5,763,692	2,202,397
Property and equipment, net	<u>25,438,244</u>	<u>26,340,762</u>
TOTAL ASSETS	<u>\$ 149,623,468</u>	<u>\$ 155,187,352</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other accrued liabilities	\$ 768,671	\$ 1,013,151
Accounts payable related to construction	500,460	469,234
Line of credit	2,826,596	2,826,596
Allocations payable - The Jewish Federations of North America	4,744,739	4,775,361
Allocations payable - other beneficiary agencies	4,494,879	4,490,971
Designated campaign gifts payable	281,540	887,807
Split-interest agreements	4,001,172	4,393,084
Obligations to affiliated agencies for assets held in trust	4,607,540	5,520,196
Capital leases payable	864,549	918,422
Loan payable	<u>14,473,684</u>	<u>14,481,079</u>
TOTAL LIABILITIES	<u>37,563,830</u>	<u>39,775,901</u>
NET ASSETS		
Unrestricted (including \$13,391,994 and \$13,831,697 of board designated funds at June 30, 2016 and 2015, respectively)	66,859,028	69,124,859
Temporarily restricted	10,637,952	12,243,571
Permanently restricted	<u>34,562,658</u>	<u>34,043,021</u>
TOTAL NET ASSETS	<u>112,059,638</u>	<u>115,411,451</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 149,623,468</u>	<u>\$ 155,187,352</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUES								
Public Support:								
Annual campaign contributions, net	\$ 14,724,188	\$ 238,391	\$ -	\$ 14,962,579	\$ 13,072,905	\$ 466,517	\$ -	\$ 13,539,422
Capital campaign contributions, net	31,231	-	-	31,231	251,096	248,324	-	499,420
Net campaign contributions	14,755,419	238,391	-	14,993,810	13,324,001	714,841	-	14,038,842
Legacies, bequests and endowment funds including change in value of split-interest agreements	5,521,076	4,477	844,037	6,369,590	3,674,952	(82,108)	621,882	4,214,726
Net assets released from restrictions and reclassifications	726,455	(402,055)	(324,400)	-	2,083,755	(2,083,755)	-	-
TOTAL PUBLIC SUPPORT	21,002,950	(159,187)	519,637	21,363,400	19,082,708	(1,451,022)	621,882	18,253,568
Revenues:								
Investment (loss) income	(1,100,833)	(1,462,464)	-	(2,563,297)	484,120	551,832	-	1,035,952
Gain on sale of property and equipment held for sale	-	-	-	-	15,154,312	-	-	15,154,312
In-kind and rental income	2,291,653	-	-	2,291,653	2,157,222	-	-	2,157,222
Program, event and other revenues	1,668,418	16,032	-	1,684,450	2,041,122	104,182	-	2,145,304
TOTAL REVENUES	2,859,238	(1,446,432)	-	1,412,806	19,836,776	656,014	-	20,492,790
TOTAL PUBLIC SUPPORT AND REVENUES	23,862,188	(1,605,619)	519,637	22,776,206	38,919,484	(795,008)	621,882	38,746,358
ALLOCATIONS AND DISTRIBUTIONS:								
Jewish Federations of North America and overseas partners	4,166,609	-	-	4,166,609	4,144,377	-	-	4,144,377
Board approved allocations (including in-kind rent)	6,320,931	-	-	6,320,931	8,408,935	-	-	8,408,935
Tommorrow Today Campaign distributions to agencies	20,425	-	-	20,425	45,850	-	-	45,850
Planned giving and endowment distributions	4,731,758	-	-	4,731,758	7,078,663	-	-	7,078,663
TOTAL ALLOCATIONS AND DISTRIBUTIONS	15,239,723	-	-	15,239,723	19,677,825	-	-	19,677,825

The accompanying notes are an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30,

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES								
Program services:								
Campus Corporation Operations	\$ 1,815,439	\$ -	\$ -	\$ 1,815,439	\$ 1,822,274	\$ -	\$ -	\$ 1,822,274
North Campus Operations	563,407	-	-	563,407	533,666	-	-	533,666
Hood Road Campus	832,017	-	-	832,017	811,969	-	-	811,969
Chaplaincy	18,863	-	-	18,863	17,566	-	-	17,566
Community Relations	333,761	-	-	333,761	364,066	-	-	364,066
Missions	36,337	-	-	36,337	295,051	-	-	295,051
Mosaic	134,721	-	-	134,721	132,518	-	-	132,518
JCRC Literacy	103,451	-	-	103,451	100,472	-	-	100,472
Israel and Overseas	421,500	-	-	421,500	460,496	-	-	460,496
Talent Development	354,263	-	-	354,263	354,693	-	-	354,693
Jewish Community Foundation Programs	-	-	-	-	39,706	-	-	39,706
Jewish Teen Initiative	578,143	-	-	578,143	481,721	-	-	481,721
Jewish Volunteer Center	8,190	-	-	8,190	-	-	-	-
P2G Local Initiatives	54,381	-	-	54,381	73,939	-	-	73,939
Community Engagement	239,838	-	-	239,838	222,457	-	-	222,457
Synagogue Institute	38,593	-	-	38,593	92,885	-	-	92,885
Support Services:								
Fundraising	4,138,459	-	-	4,138,459	3,985,725	-	-	3,985,725
Management and General	1,216,933	-	-	1,216,933	1,216,814	-	-	1,216,814
TOTAL EXPENSES	10,888,296	-	-	10,888,296	11,006,018	-	-	11,006,018
TOTAL ALLOCATIONS, DISTRIBUTIONS AND EXPENSES	26,128,019	-	-	26,128,019	30,683,843	-	-	30,683,843
CHANGE IN NET ASSETS	(2,265,831)	(1,605,619)	519,637	(3,351,813)	8,235,641	(795,008)	621,882	8,062,515
NET ASSETS - BEGINNING OF YEAR	69,124,859	12,243,571	34,043,021	115,411,451	60,889,218	13,038,579	33,421,139	107,348,936
NET ASSETS - END OF YEAR	\$ 66,859,028	\$ 10,637,952	\$ 34,562,658	\$ 112,059,638	\$ 69,124,859	\$ 12,243,571	\$ 34,043,021	\$ 115,411,451

The accompanying notes are an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (3,351,813)	\$ 8,062,515
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,174,975	1,126,000
Provision for uncollectible pledges, net	456,620	346,920
Gain on the sale of property and equipment held for sale	-	(15,154,312)
Realized gains on investments	(288,427)	(1,650,519)
Unrealized losses on investments	3,799,479	2,153,637
Endowment contributions	(1,459,252)	(585,501)
Change in split-interest agreements	419,696	344,806
Capital campaign contributions	(31,231)	(499,420)
Decrease (increase) in operating assets:		
Restricted cash	25,012	191,242
Pledges receivable, net	(1,562,092)	(290,053)
Prepaid expenses and other assets	(2,661,295)	388,069
(Decrease) increase in operating liabilities:		
Accounts payable and other accrued liabilities	(213,254)	(3,123,527)
Allocations payable	(26,714)	(291,471)
Designated campaign gifts payable	(606,267)	265,980
TOTAL ADJUSTMENTS	(972,750)	(16,778,149)
NET CASH USED IN OPERATING ACTIVITIES	(4,324,563)	(8,715,634)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash for purchase of property and equipment	106,055	66,306
Investment sales (purchases), net	3,630,493	(5,636,747)
Sales proceeds from property and equipment held for sale	-	20,988,357
Purchases of property and equipment	(138,681)	(2,111,840)
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,597,867	13,306,076
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Due to Jewish Community Center of the Greater Palm Beaches, Inc.	-	(2,582,093)
Principal payments on note payable	-	(96,003)
Principal payments on capital lease obligations	(187,649)	(110,241)
(Decrease) increase in trust assets held on behalf of agencies	(912,656)	1,197,241
Repayments on loan payable	(518,921)	-
Borrowings from loan payable	511,526	4,768,739
Payments on split-interest obligations	(811,608)	(893,268)
Collections from capital campaign	865,797	987,411
Endowment contributions	559,252	585,501
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(494,259)	3,857,287
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,220,955)	8,447,729
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,258,896	4,811,167
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 12,037,941	\$ 13,258,896

The accompanying notes are an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30,

	<u>2016</u>	<u>2015</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 240,989</u>	<u>\$ 277,952</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Equipment acquired under capital lease	<u>\$ 133,776</u>	<u>\$ 937,368</u>

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services															Support Services				
	Campus Corporation Operations	North Campus Operations	Hood Road Campus	Chaplaincy	Community Relations	Missions	Mosaic	JCRC Literacy	Israel and Overseas	Talent Development	Jewish Teen Initiative	Jewish Volunteer Center	P2G Local Initiatives	Community Engagement	Synagogue Institute	Total Program Services	Fundraising Total	Management & General	Supporting Services Total	Total Expenses
Salaries & Related Benefits																				
Salaries	\$ 328,015	\$ 362,758	\$ -	\$ 10,091	\$ 222,823	\$ 24,044	\$ 33,397	\$ 70,399	\$ 251,352	\$ 264,675	\$ 249,972	\$ -	\$ -	\$ 112,507	\$ -	\$ 1,930,033	\$ 2,373,876	\$ 703,130	\$ 3,077,006	\$ 5,007,039
Payroll taxes	23,691	27,793	-	807	17,277	1,722	2,486	5,490	19,144	13,995	19,721	-	-	8,419	-	140,545.00	178,571	51,320	229,891	370,436
Pension & health	58,549	87,206	-	2,138	31,247	4,622	8,357	10,060	46,133	38,682	35,397	-	-	25,045	-	347,436.00	419,722	145,076	564,798	912,234
Total Salaries & related benefits	410,255	477,757	-	13,036	271,347	30,388	44,240	85,949	316,629	317,352	305,090	-	-	145,971	-	2,418,014	2,972,169	899,526	3,871,695	6,289,709
Operating Expenses																				
Conferences, meetings & public relations	4,490	7,019	-	4,162	28,548	412	87,264	1,901	56,680	8,168	189,654	5,726	44,662	36,661	2,549	477,896	517,439	35,762	553,201	1,031,097
Office supplies, printing & postage	10,629	10,724	-	364	6,696	776	611	2,523	7,149	2,949	11,970	1,882	3,465	8,236	-	67,974	203,373	55,176	258,549	326,523
Occupancy	140,473	3,506	-	118	8,755	2,567	197	790	14,020	949	2,909	-	-	647	-	174,931	80,413	22,825	103,238	278,169
Security	198,417	2,767	-	93	2,088	156	156	623	1,630	749	2,430	176	1,482	511	-	211,278	24,360	11,900	36,260	247,538
Insurance	164,622	15,289	-	88	1,222	146	147	586	1,535	705	2,155	-	-	481	-	186,976	18,536	11,201	29,737	216,713
Repairs & maintenance	282,195	9,328	-	315	4,377	524	526	2,101	6,468	2,526	7,721	297	-	1,722	-	318,100	66,823	40,127	106,950	425,050
Telephone	5,322	17,554	-	87	1,401	273	414	1,501	3,735	1,248	5,755	-	124	1,141	-	38,555	24,807	9,277	34,084	72,639
Transportation	3,168	664	-	22	1,081	135	203	3,625	2,836	649	7,224	109	4,623	2,309	44	26,692	16,139	3,913	20,052	46,744
Staffing & Employees relocation	1,619	2,557	-	86	1,200	144	145	576	1,507	693	2,117	-	-	472	-	11,116	18,205	11,002	29,207	40,323
Professional fees	42,193	12,660	-	377	5,437	627	628	2,514	6,867	3,022	38,111	-	25	41,060	36,000	189,521	162,038	100,339	262,377	451,898
Interest	18,941	1,298	202,392	44	609	73	73	292	766	353	1,082	-	-	241	-	226,164	9,241	5,584	14,825	240,989
Miscellaneous	3,667	1,315	-	38	545	62	62	252	1,107	14,637	1,123	-	-	207	-	23,015	18,016	4,898	22,914	45,929
Total operating expenses	875,736	84,681	202,392	5,794	61,959	5,895	90,426	17,284	104,300	36,648	272,251	8,190	54,381	93,688	38,593	1,952,218	1,159,390	312,004	1,471,394	3,423,612
Total expenses before depreciation & amortization	1,285,991	562,438	202,392	18,830	333,306	36,283	134,666	103,233	420,929	354,000	577,341	8,190	54,381	239,659	38,593	4,370,232	4,131,559	1,211,530	5,343,089	9,713,321
Depreciation & amortization	529,448	969	629,625	33	455	54	55	218	571	263	802	-	-	179	-	1,162,672	6,900	5,403	12,303	1,174,975
Total expenses	\$ 1,815,439	\$ 563,407	\$ 832,017	\$ 18,863	\$ 333,761	\$ 36,337	\$ 134,721	\$ 103,451	\$ 421,500	\$ 354,263	\$ 578,143	\$ 8,190	\$ 54,381	\$ 239,838	\$ 38,593	\$ 5,532,904	\$ 4,138,459	\$ 1,216,933	\$ 5,355,392	\$ 10,888,296

The accompanying notes are an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services															Support Services				
	Campus Corporation Operations	North Campus Operations	Hood Road Campus	Chaplaincy	Community Relations	Missions	Mosaic	JCRC Literacy	Israel and Overseas	Talent Development	Jewish Community Foundation Programs	Jewish Teen Initiative	P2G Local Initiatives	Community Engagement	Synagogue Institute	Total Program Services	Fundraising	Management and General	Total Support Services	Total Expenses
Salaries & Related Benefits																				
Salaries	\$ 313,914	\$ 340,739	\$ -	\$ 9,455	\$ 222,129	\$ 21,872	\$ 31,279	\$ 66,129	\$ 224,498	\$ 270,295	\$ 27,277	\$ 299,312	\$ -	\$ 145,530	\$ 62,736	\$ 2,035,165	\$ 2,169,016	\$ 635,527	\$ 2,804,543	\$ 4,839,708
Payroll taxes	22,459	25,876	-	714	16,976	1,666	2,309	5,103	16,188	14,261	2,515	22,558	-	10,827	5,126	146,578	155,822	45,317	201,139	347,717
Pension & health	66,137	88,288	-	2,597	39,914	4,039	8,896	12,662	101,770	49,670	3,689	63,609	-	39,543	9,097	489,911	605,579	204,806	810,385	1,300,296
Total salaries & related benefits	402,510	454,903	-	12,766	279,019	27,577	42,484	83,894	342,456	334,226	33,481	385,479	-	195,900	76,959	2,671,654	2,930,417	885,650	3,816,067	6,487,721
Operating Expenses																				
Conferences, meetings & public relations	6,405	9,740	975	3,232	45,636	260,096	87,230	3,078	74,695	8,195	1,396	35,701	66,753	11,126	3,642	617,900	468,728	46,038	514,766	1,132,666
Office supplies, printing & postage	7,038	10,044	1,259	341	5,695	1,682	588	2,354	8,163	2,286	642	13,209	506	3,149	2,326	59,282	145,579	44,886	190,465	249,747
Occupancy	153,274	5,927	217	199	8,096	2,495	331	1,325	14,454	1,325	331	5,918	-	1,749	1,325	196,966	93,985	31,069	125,054	322,020
Security	182,617	2,825	-	95	2,124	140	159	636	1,410	636	159	2,841	1,200	840	636	196,318	19,367	12,552	31,919	228,237
Insurance	235,275	9,698	5,159	67	978	98	111	444	985	444	111	1,985	-	587	444	256,386	12,196	8,768	20,964	277,350
Repairs & maintenance	188,018	9,774	1,986	330	4,843	484	550	2,201	4,439	2,201	550	9,832	660	2,906	2,201	230,975	61,660	50,197	111,857	342,832
Telephone	6,865	16,435	1,562	90	1,578	860	254	1,541	4,754	1,422	108	6,245	943	1,434	431	44,522	23,122	9,714	32,836	77,358
Transportation	3,375	1,190	-	40	10,149	309	134	2,294	3,146	1,254	348	8,432	3,846	1,199	322	36,038	18,994	6,081	25,075	61,113
Staffing & employee relocation	661	1,044	-	35	518	52	59	235	521	235	59	1,051	-	311	235	5,016	6,456	4,642	11,098	16,114
Professional fees	92,021	8,893	1,036	267	3,911	1,106	444	1,778	3,941	1,778	2,348	7,941	-	2,347	3,520	131,331	178,096	102,352	280,448	411,779
Interest and bank charges	19,614	1,235	171,337	42	612	61	70	278	616	278	70	1,242	31	367	278	196,131	7,634	5,488	13,122	209,253
Miscellaneous	33,645	1,595	-	50	727	73	84	332	735	331	83	1,480	-	434	483	40,052	17,246	6,530	23,776	63,828
Total operating expenses	928,808	78,400	183,531	4,788	84,867	267,456	90,014	16,496	117,859	20,385	6,205	95,877	73,939	26,449	15,843	2,010,917	1,053,063	328,317	1,381,380	3,392,297
Total expenses before depreciation & amortization	1,331,318	533,303	183,531	17,554	363,886	295,033	132,498	100,390	460,315	354,611	39,686	481,356	73,939	222,349	92,802	4,682,571	3,983,480	1,213,967	5,197,447	9,880,018
Depreciation & amortization	490,956	363	628,438	12	180	18	20	82	181	82	20	365	-	108	83	1,120,908	2,245	2,847	5,092	1,126,000
Total Expenses	\$ 1,822,274	\$ 533,666	\$ 811,969	\$ 17,566	\$ 364,066	\$ 295,051	\$ 132,518	\$ 100,472	\$ 460,496	\$ 354,693	\$ 39,706	\$ 481,721	\$ 73,939	\$ 222,457	\$ 92,885	\$ 5,803,479	\$ 3,985,725	\$ 1,216,814	\$ 5,202,539	\$ 11,006,018

The accompanying notes are an integral part of these consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Jewish Federation of Palm Beach County, Inc. and its Affiliates, the Palm Beach Jewish Community Campus Corporation, Inc. ("Campus Corporation") and North Palm Beach County Jewish Community Campus Corporation (the "North Campus"), (collectively the "Federation"), which are under common control. All intercompany accounts and transactions have been eliminated in the consolidation.

Purpose

The Jewish Federation of Palm Beach County, Inc. was incorporated in 1962 as a not-for-profit organization under the laws of the State of Florida to support Jewish social service, cultural and educational programs through its fundraising efforts. These fundraising activities provide financial support to numerous not-for-profit beneficiary agencies. In addition, the Jewish Federation of Palm Beach County, Inc. is a Section 509(a)(1) organization, as defined in the Internal Revenue Code ("IRC"), and is, therefore, not a private foundation and qualifies for the maximum charitable deduction for a donor.

The Campus Corporation was incorporated in 1986 as a not-for-profit organization under the laws of the State of Florida to own property used for the purpose of providing educational, cultural, recreational and social service programming for the local community.

The North Campus Corporation was incorporated in 2012 as a not-for-profit organization under the laws of the State of Florida to own property used for the purpose of providing educational, cultural, recreational and social service programming for the local community.

In addition to providing financial support to outside agencies, the Federation also provides program services for which the purpose and outcomes are described by management as follows:

Campus Corporation Administration and Operations

Owns and maintains the real estate and facilities that are provided to affiliated and non-affiliated agencies in order to run their specific programs. The Campus Corporation houses and supports the following organizations: Lola & Saul Kramer Federation Building (the "Jewish Federation"), the Commission for Jewish Education ("CJE"), the Arthur I. Meyer Jewish Academy ("Academy"), and the Mandel Jewish Community Center of the Greater Palm Beaches, Inc. ("Mandel JCC"). In the future, the Campus Corporation may own and maintain the property in Palm Beach Gardens which is now owned by the Jewish Federation of Palm Beach County, Inc.

North Campus Administration and Operations

Provides support services for information technology for CJE, the Academy and the Mandel JCC.

Hood Road Campus

Maintains the real estate and facilities owned by the Federation in Palm Beach Gardens, which includes land as well as the building for the Academy.

Chaplaincy

Provide chaplaincy services for those who are not affiliated with a synagogue.

Community Relations

Runs programs that advocate for Israel and world Jewry, educates the community on Jewish issues, and builds relations with other religious, ethnic, and civic groups.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Purpose (Continued)

Missions

Organizes group staff-run missions that include educational components related to projects and programs that the Federation supports in Israel, the former Soviet Union and other countries.

Mosaic

Produces the television show Mosaic, which can be seen on Sunday mornings on the local NBC affiliate. This program consists of informational interviews related to local, national and international Jewish issues and their impact on the local Jewish community.

JCRC Literacy

Recruits, trains, and places reading partners in 65 public elementary schools for the purpose of helping students improve their reading skills. The literacy coordinator works with the principals and teachers in assessing the needs of the students and in assigning a reading partner to each child for the school year. This program includes "book give-aways" and assists over 3,900 students throughout the year with the help of 350 volunteers. Additionally, a summer school program has been in place for the last eight years.

Israel and Overseas

Through its annual campaign, the Federation is one of the largest providers of overseas funding throughout the North American Federation system. The Israel & Overseas Department of the Federation manages comprehensive partnership programs that aim to directly impact and benefit the lives of thousands of Jews throughout the world. Specifically, the Federation provides funding, oversight and direct involvement in the following partnerships: in the TZAHAR (Tzfat, Hatzor and Rosh Pina) region in Israel through programs focusing on economic development, education, and assistance for at-risk youth (Youth Futures); in the city of Ramla, Israel through PACT (Parents and Children Together) and ENP (Ethiopian National Project) offering after-school enrichment programs; and in St. Petersburg, Russia through an array of welfare and Jewish renewal initiatives. In addition, the volunteer shaliach's (emissary from Israel) goal is to work throughout the local community in a variety of settings and with all age groups to provide opportunities for community members to strengthen their connection to Israel and embed their sense of belonging to the people of Israel.

Talent Development

Recruits, retains, evaluates, and develops qualified persons who serve as professional staff and volunteer leaders. It defines, then facilitates, the Federation as a great place to work or volunteer.

Jewish Community Foundation Programs

Provides continuing education programs for local business professionals relating to the not-for-profit sector. Also provides education, advocacy and grants for social change programs for women and girls. The Federation did not have this program during the year ended June 30, 2016.

Jewish Teen Initiative ("JTI")

Runs programs to engage Jewish teens. Goals include increasing teen participation in local Jewish activities, providing outreach to unaffiliated Jewish teens and directing them to existing youth movement opportunities, creating more awareness and publicizing local programs to Jewish teens, and working with the local and regional youth professionals to build a coalition of service providers. This program is available for consultation with all area youth programs to enhance their services to teens. Specifically, JTI's goal is to provide a staffing model for enhancing teen professional positions by partnering with local synagogues and agencies and hiring, training and supervising the professionals who work in those institutions.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Purpose (Continued)

Jewish Volunteer Center

The Jewish Volunteer Center is the center for Jewish community engagement through volunteerism. It demonstrates the Federation's role as a community builder committed to Tikkun Olam, making a difference in the world. It identifies, cultivates and develops a network of people and opportunities that provide volunteer experiences both in and beyond the Jewish community. The volunteer center hopes to: convene and strengthen relationships with partner agencies, synagogues and other organizations; be a community building effort to connect individuals, families, and groups with meaningful hands-on volunteer opportunities.

P2G Local Initiatives

Supports the underpinning values for the P2G international partnership program, creating dynamic relationships between Jewish communities in different parts of the world. This budget allocation facilitates the ongoing connections between individuals, committees and professional staff partners. On an annual basis, the Federation receives three to four delegations that stay in the Palm Beaches to learn about the community, strengthen their Jewish identities and gain skills to assist in the development and enhancement of their respective communities in Israel and/or Russia. It also provides for program costs incurred during visits and local educational campaigns designed to raise awareness about Jewish peoplehood, Israel, and Federation funded initiatives.

Community Engagement

Community Engagement focuses on cultivation and philanthropic journeys of young adults ages 22-45. Through a variety of programs, including but not limited to, volunteer opportunities, social outings, immersive experiences and fundraising events, the department's end goal is to ensure the future of Jewish leadership in the Palm Beaches.

Synagogue Institute ("SI")

Strengthens synagogues as gateway institutions of Jewish life and deepens the level of engagement between community synagogues and Federation. This is achieved by supporting the development of synagogues' efforts to engage and stimulate local Jewish life; committing to collaborations that will result in building capacity with synagogue organizations; supporting new standards of synagogue life that will renew and sustain congregations for future generations. SI is dedicated to partnering with synagogues to advance their ability to connect with people, creating opportunities for community members to experience the sense of belonging, meaning and purpose that participation in synagogue life brings.

Basis of Accounting

The Federation prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains and losses are classified based on the existence of donor-imposed or time restrictions as follows:

Unrestricted - Net assets that are free of donor-imposed or time restrictions. It includes the Federation's investment in property and equipment and amounts designated by the Federation for support of operations, programs and expansion. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted. This category includes all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

Unrestricted Board Designated - The part of unrestricted net assets of the Federation resulting from contributions whose use by the Federation is not limited by donor-imposed stipulations. The Federation has internally earmarked such funds.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Basis of Accounting (Continued)

Temporarily Restricted - Net assets whose use by the Federation is limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or removed by actions of the Federation pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions and reclassifications.

Permanently Restricted - Net assets whose use by the Federation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Federation.

Cash and Cash Equivalents

The Federation considers all highly liquid investments held at financial institutions with a maturity of three months or less when purchased to be cash equivalents. This excludes all highly liquid investments held with investment custodians or advisors.

Restricted Cash

Restricted cash represents funds held for donor restricted purposes and capital improvements.

Annual Campaigns

Public support is recorded on a June 30 fiscal year basis and matched against fiscal year allocations made to beneficiary agencies.

Capital Campaigns

Cash and pledges receivable (NOTE 4) pertaining to the capital campaign fund are unrestricted and temporarily restricted and represent commitments from various individuals to fund the construction of a school in Palm Beach Gardens for the Academy and a new headquarters for the Federation, which will include space for CJE. Those restrictions are considered to expire once the funds are used for construction or capital campaign related expenses are incurred.

Contributions and Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Federation that is, in substance, unconditional. The Federation receives contributions of cash or property from sources other than annual campaign contributions. Such donations are received under numerous types of arrangements which specify who is to manage the funds and who is to receive the funds upon the passage of time or other donor imposed restrictions. Funds received by the Federation for its general purposes are classified as unrestricted; all others are considered temporarily or permanently restricted.

Pledges determined to be uncollectible during the year in which such pledges are received are shown as a reduction of contributions. Pledges determined to be uncollectible subsequent to the year in which such pledges are received are charged to the allowance for uncollectible pledges. The allowance for uncollectible pledges is based on the Federation's historical pledge collection experience and management's evaluation of other pertinent factors. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are discounted using a market rate of return and are recorded at net present value. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized as revenue in the period the conditions on which they depend are substantially met.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Investments and Fair Value Measurements

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Consolidated Statements of Financial Position. Realized and unrealized gains (losses) on investments are reflected in the Consolidated Statements of Activities within "Investment (loss) income." Investment (losses) income that is limited to specific uses by donor restrictions is reported as (decreases) increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular instruments. Changes in assumptions or in market conditions could significantly affect the estimates. The carrying amount of all financial assets and liabilities approximates fair value.

Property and Equipment, Net

Property and equipment are recorded at cost at the date of purchase, or, if contributed, the fair value at the date of donation. The Federation capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation and amortization is computed on the straight-line method over the estimated useful lives of the assets.

The carrying value of long-lived assets is reviewed if the facts and circumstances, such as significant declines in revenues, earnings or cash flows or material adverse changes in the Federation's climate, indicate that they may be impaired. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets are adjusted to reflect such impairment based on the fair value of the impaired assets or an estimate of fair value based on discounted cash flows.

Split-Interest Agreements

The Federation is the trustee and remainder beneficiary of various charitable remainder trusts and charitable gift annuity agreements. Trust assets are stated at fair market value. Split-interest agreement liabilities are determined using Internal Revenue Service actuarial assumptions, discounted using the applicable federal rate in effect at the date of the gift.

A contribution is recorded at the time of the gift as the difference between the fair value of the assets received and the liabilities incurred in the exchange portion of the agreement for these irrevocable transfers of assets. The net changes in the value of these split-interest agreements amounted to losses of \$103,425 and \$238,327 for the years ended June 30, 2016 and 2015, respectively, and are included within the caption "Legacies, bequests and endowment funds including change in value of split-interest agreements" on the Consolidated Statements of Activities.

The assets related to the split-interest agreements, included in investments, amount to approximately \$6,201,000 and \$7,490,000 at June 30, 2016 and 2015, respectively. The liabilities of the split-interest agreements are approximately \$4,001,000 and \$4,393,000 at June 30, 2016 and 2015, respectively. Increases and decreases in the present value obligation are presented in the accompanying Consolidated Statements of Activities under public support as "Legacies, bequests and endowment funds including change in value of split-interest agreements."

Contributed Services

The Federation recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. In addition, the Federation receives services from a large number of volunteers who give significant amounts of their time to the Federation's programs, fundraising campaigns and management that do not meet the criteria for consolidated financial statement recognition.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

In-Kind Rental Income

The Federation contributes the use of facilities, certain utilities, and common area maintenance to its beneficiary agencies. The Federation records in-kind transactions at fair value as rental income and corresponding board approved allocation expense in the Consolidated Statements of Activities.

Functional Expenses

The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited.

Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of public support and revenues and allocations, distributions and expenses during the reporting period. Actual results could differ from these estimates.

Income Taxes

The Federation is a nonprofit corporation whose revenue is derived from contributions and other fundraising activities. The Federation is exempt from federal income taxes under Section 501(c)(3) of the IRC and sales and use tax under the laws of the State of Florida. During the years ended June 30, 2016 and 2015, the Federation generated net unrelated business losses from certain alternative investments. No provisions for Federal or State income taxes were recorded as the amounts are immaterial to these consolidated financial statements.

The Federation recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Federation files income tax returns. The Federation is generally no longer subject to U.S. Federal or State examinations by tax authorities for fiscal years before 2013.

Concentrations of Credit and Market Risk

Financial instruments which potentially subject the Federation to concentrations of credit and market risk consist primarily of cash and cash equivalents, pledges and investments. The Federation maintains cash balances at several financial institutions in South Florida. Accounts in each institution are insured by the Federal Deposit Insurance Corporation in accordance with current regulations, which provides for insurance up to \$250,000. Cash equivalents are maintained at high-quality financial institutions. The Federation has not experienced any losses on its cash and cash equivalents.

Management considers credit risk associated with pledges receivable to be low due to the diversity of the donors and the recurring nature of many donations. Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The Federation's investments in Level 3 Private Equity, Hedge Fund Limited Partnerships and Real Asset Funds (NOTES 2 and 3) comprise approximately 31% and 30% of total investments at June 30, 2016 and 2015, respectively. The Federation has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Recent Accounting Pronouncements

Fair Value Measurement

In May 2015, the Financial Accounting Standards Board ("FASB") issued an accounting standard update that removes the requirement to include investments in the fair value hierarchy for which fair value is measured at net asset value using the practical expedient. The update also changes certain disclosure requirements. The update is effective retrospectively for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early application is permitted. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued an accounting standard update which seeks to enhance the recognition, measurement, presentation and disclosure requirements of financial instruments. The update is effective for fiscal years beginning after December 15, 2018 and for interim periods within fiscal years beginning after December 15, 2019 with early adoption permitted for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

Subsequent Events

The Federation has evaluated subsequent events through December 13, 2016 which is the date the consolidated financial statements were available to be issued.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. INVESTMENTS

Investments, at fair value, consist of the following at June 30:

	2016	2015
Money market mutual funds	\$ 5,072,917	\$ 3,744,323
Bond mutual funds	15,556,695	15,663,756
Equity mutual funds	34,049,415	37,445,685
Private equity	5,939,341	5,883,471
Hedge fund limited partnerships	22,173,515	23,739,770
State of Israel debt securities	543,569	639,010
Real asset funds	8,188,628	8,768,635
Common stocks	1,319,956	1,125,537
Bonds	834,660	3,810,054
	\$ 93,678,696	\$ 100,820,241

The Federation entered into agreements with certain beneficiary agencies to hold assets of the agencies in the Federation's general pool and/or fund for income pool and to provide the agencies with an annual return that mirrors the performance of the Federation's pooled investments. These funds are being held in the Federation's fiduciary capacity; as such, agencies have a right to withdraw all or any part of the funds upon request in accordance with the management fund agreement between the Federation and the agencies.

As of June 30, 2016 and 2015, total investments include \$4,607,540 and \$5,520,196, respectively, of investments that are held in trust for these agencies and are also included as a liability in the Consolidated Statements of Financial Position as the caption "Obligations to affiliated agencies for assets held in trust."

Investment (loss) income is shown net of custodial fees and investment management fees of \$396,704 and \$446,111, for the years ended June 30, 2016 and 2015, respectively. Investment (loss) income from cash equivalents and investments is comprised of the following for the years ended June 30:

	2016	2015
Dividends and interest, net of fees	\$ 947,755	\$ 1,539,070
Net realized gains	288,427	1,650,519
Net unrealized losses	(3,799,479)	(2,153,637)
	\$ (2,563,297)	\$ 1,035,952

The Federation has unfunded commitments (NOTE 15) in its Private Equity and the Real Asset Fund portfolio of approximately \$3,116,000 at June 30, 2016. In general, the private equity partnerships have a 10 year investment period and will call capital over this time period. With the exception of private equity, which are illiquid, the Federation has the right to withdraw its investments after the expiration of "lock-up" periods of one to two years. At June 30, 2016, there are no investments subject to lock-up.

The Federation uses the Net Asset Value ("NAV") to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. INVESTMENTS (CONTINUED)

The following table lists such investments:

	Fair Value as of 6/30/2016	Fair Value as of 6/30/2015	Unfunded Commitments as of 6/30/2016	Redemption Frequency	Redemption Notice Period
Hedged/Absolute Return					
Archstone Offshore Fund, Ltd. - A	\$ 3,123,308	\$ 3,420,039	\$ -	Quarterly	90 days
Weatherlow Offshore I Fund Ltd. - B	4,351,157	4,671,635	-	Quarterly	65 days
Forester Partners A, LP - C	3,697,137	3,976,719	-	Annual	95 days
Canyon Value Realization Fund Cayman, Ltd. - D	2,033,989	2,077,752	-	25% Quarterly	70 days
Seminole Offshore Class A Fund, Ltd. - E	1,761,990	2,272,384	-	Quarterly	45 days
Hoplite Offshore Fund, Ltd. - E	2,339,104	2,510,491	-	Quarterly	45 days
Davidson Kempner Institutional Partners, L.P. - T	3,129,302	3,048,318	-	Quarterly	65 days
Mason Capital, Ltd. 2A - U	1,737,528	1,762,432	-	Annual	45 days
Private Equity					
Commonfund Capital Venture Equity Partners VII, LP - G	808,132	864,182	136,500	None*	N/A
Commonfund Capital Venture Partners VIII, LP - H	291,847	328,062	18,125	None*	N/A
Aberdeen (Flag) International Partners (Offshore), LP - I	889,828	1,020,683	40,000	None*	N/A
Wilshire Associates Private Markets Fund II - J	55,580	82,273	-	None*	N/A
TIFF Private Equity Partners 2008 LLC - K	2,690,801	2,591,348	375,000	None*	N/A
Landmark Equity Partners XIV, LP - L	474,892	588,632	68,721	None*	N/A
Landmark Equity Partners XV, LP - L	460,735	408,291	1,143,923	None*	N/A
Park Street Capital Private Equity Fund XI -	267,526	-	1,218,953	None*	N/A
Inflation Hedging					
SSgA Real Asset NL QP CTF - M	3,671,855	4,114,813	-	Daily	2 days
Metropolitan Global Real Estate Partners III, LP - N	569,688	675,040	114,632	None*	N/A
Harvest MLP Income Fund II - O	1,463,652	1,778,693	-	Monthly	30 days
AEW Global Property Securities - P	2,310,512	2,058,770	-	Monthly	15 days
Neuberger Berman High Yield Bond Fund LLC - Q	1,773,829	2,206,122	-	Monthly	5 days
Colchester Global Bond Fund - Q	1,164,157	1,081,542	-	Monthly	10 days
Global Equity					
Lone Cascade, LP - R	4,914,249	5,460,873	-	Quarterly	30 days
International Equity					
Kiltearn Global Equity - R	3,652,269	3,952,175	-	Monthly	6 days
The Sanderson International Value Fund - S	2,126,212	2,533,641	-	Monthly	10 days
Total	\$ 49,759,279	\$ 53,484,911	\$ 3,115,854		

* - These funds are illiquid. The Federation is not able to redeem the investments as they are committed until capital is returned, which is currently estimated between 1 and 10 years.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. INVESTMENTS (CONTINUED)

Investment Strategies

- A - Employs a fund-of-funds approach focused on hedged equity, market neutral, global trading, short and long based strategies.
- B - Diversified fund of hedge funds that seeks to generate equity-like returns with bond-like volatility. Multiple strategies are employed including long/short equity, event driven, relative value, global asset allocation.
- C - Primarily employs a fund-of-funds approach to hedge funds focused on managers that have different expertise in industry sectors, cap sizes, or geographical areas.
- D - Employs a direct hedge fund strategy that focuses on event-driven investing. Management seeks to identify securities that can be purchased at a price it believes represents a discount to intrinsic value and identify catalysts which can unlock that value. The fund seeks to earn high absolute investment returns with low volatility, and seeks capital appreciation and current income by investing in debt and equity securities with an emphasis on debt instruments.
- E - Seeks to achieve maximum absolute gains that exceed those of broader market averages over time and to minimize risk and volatility of returns through a long/short investment strategy.
- F - Multi-strategy fund of fund manager that expects to invest in 15-20 underlying managers with the goal of diversifying across strategies, stages, industries, and geography. The fund will allocate among buyout, venture capital, and capita restructuring funds.
- G - Employs a fund-of-funds approach to private equity funds, principally in the U.S. focused on growth equity, middle-market funds, and large leveraged buyouts.
- H - Employs a fund-of-funds approach to venture capital firms, principally in the U.S. focused on early stage investing. Also participates in secondary purchases.
- I - Employs a fund-of-funds approach to non-North American regions investing in private equity (both venture and buyout).
- J - Employs a fund-of-funds approach to a broad universe of partnership funds focused on U.S. buyout, U.S. venture capital, international private equity, opportunistic real estate, and mezzanine/special.
- K - Employs a fund-of-funds approach to private equity managers focused on venture, operations-oriented buyout, special situation, and reorganization strategies. May also participate in secondary transactions.
- L - Employs a fund-of-funds approach to middle market international private equity managers focused on venture, buyout, and mezzanine assets through secondary market transactions.
- M - Employs a passive real asset strategy including investments in real estate securities, commodity futures, energy equities and Treasury Inflation Protected Securities ("TIPS").
- N - Feeder fund to three underlying real estate fund-of-fund strategies: U.S. real estate primarily focused on office, apartment and industrial; U.S. debt related distressed properties; and international real estate primarily focused in Europe and Asia.
- O - Seeks to invest directly in income-producing publicly traded Master Limited Partnerships ("MLPs") with a particular focus on energy sector MLPs.
- P - Invests in publicly traded equity securities issued by real estate investment trusts and other publicly held real estate companies in North America, Europe and Asia Pacific.
- Q - Employs strategies including both investment grade securities and high-yield instruments in U.S. and abroad including emerging markets.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. INVESTMENTS (CONTINUED)

Investment Strategies (Continued)

- R - Employs strategy investing in U.S. and developed market companies, with global customer base including emerging markets. Also employs direct emerging market exposure.
- S - Employs strategy investing primarily in international developed market companies. Also employs direct emerging market exposure.
- T - Multi-strategy absolute return fund that seeks to produce absolute returns with a high priority on capital preservation by investing in merger arbitrage and distressed securities.
- U – Event driven strategy that seeks to achieve high absolute returns with low volatility, independent of the returns of the overall equity and debt markets. Categories of investment can include distressed investing, credit opportunities, special situations, and merger arbitrage.

3. FAIR VALUE MEASUREMENTS

The FASB established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Federation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

The money market and equity mutual funds are managed primarily through investments held by independent investment advisors with discretionary investment authority. These investments are valued at the closing price reported in the active market in which the individual securities are traded.

The bond mutual funds and individual bonds are managed primarily through investments held by independent investment advisors with discretionary investment authority. These securities include U.S. and non-U.S. debt instruments. These investments are valued at the closing price reported in the active market in which the individual securities are traded or at the net asset value.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

3. FAIR VALUE MEASUREMENTS (CONTINUED)

The private equity and hedge fund limited partnerships are managed primarily through investments held by independent investment advisors with discretionary investment authority. These investments include private capital limited partnerships, which are illiquid, and hedge fund limited partnerships, which can be withdrawn in accordance with the funds redemption notice period. The underlying investments of the funds are valued at net asset value on a monthly or quarterly basis by the entity. These investments are funded not just by an initial contribution but also by periodic capital calls.

The State of Israel debt securities consist of individual bonds issued by the State of Israel. These securities are held to maturity. Because the Federation holds these instruments to maturity, the valuation in the consolidated financial statements is equal to the face value which approximates fair value.

The real asset funds are managed primarily through investments held by independent investment advisors with discretionary investment authority. Investments in real assets include real estate, treasury inflation-protected securities, commodities and global equity natural resource companies. These investments are valued at their current market value determined on the basis of quotations or at the net asset value.

The common stocks are valued at the closing price reported in the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Federation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following table represents the Federation's financial instruments measured at fair value on a recurring basis at June 30, 2016 for each of the fair value hierarchy levels:

Description	6/30/2016	Fair Value Measurements at June 30, 2016		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Money market mutual funds	\$ 5,072,917	\$ 5,072,917	\$ -	\$ -
Bond mutual funds	15,556,695	12,531,425	3,025,270	-
Equity mutual funds	34,049,415	23,356,684	10,692,731	-
Private equity	5,939,341	-	-	5,939,341
Hedge fund limited partnerships	22,173,515	-	-	22,173,515
State of Israel debt securities	543,569	-	543,569	-
Real asset funds	8,188,628	260,206	7,358,734	569,688
Common stocks	1,319,956	1,319,956	-	-
Bonds	834,660	834,660	-	-
	\$ 93,678,696	\$ 43,375,848	\$ 21,620,304	\$ 28,682,544

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

3. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table represents the Federation's financial instruments measured at fair value on a recurring basis at June 30, 2015 for each of the fair value hierarchy levels:

Description	6/30/2015	Fair Value Measurements at June 30, 2015		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Money market mutual funds	\$ 3,744,323	\$ 3,744,323	\$ -	\$ -
Bond mutual funds	15,663,756	12,376,092	3,287,664	-
Equity mutual funds	37,445,685	25,498,997	11,946,688	-
Private equity	5,883,471	-	-	5,883,471
Hedge fund limited partnerships	23,739,770	-	-	23,739,770
State of Israel debt securities	639,010	-	639,010	-
Real asset funds	8,768,635	141,318	7,952,277	675,040
Common stocks	1,125,537	1,125,537	-	-
Bonds	3,810,054	3,810,054	-	-
	\$ 100,820,241	\$ 46,696,321	\$ 23,825,639	\$ 30,298,281

Changes in Fair Value of Level 3 Investments

The following sets forth a summary of changes in the fair value of the Federation's Level 3 assets for the years ended June 30:

	2016	2015
Balance, beginning of year	\$ 30,298,281	\$ 24,569,177
Contributions	579,781	8,451,006
Investment (loss) income	(720,310)	1,697,971
Withdrawals	(1,475,208)	(4,419,873)
Balance, end of year	\$ 28,682,544	\$ 30,298,281

4. ANNUAL AND CAPITAL CAMPAIGN PLEDGES RECEIVABLE, NET

Annual Campaign

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

	2016	2015
Gross pledges receivable	\$ 8,422,110	\$ 7,295,155
Less: Allowance for doubtful accounts	(694,396)	(556,616)
Less: Discount on long-term pledges	(62,673)	(141,970)
Pledges receivable, net	\$ 7,665,041	\$ 6,596,569

Pledges receivable with payment terms in excess of one year have been discounted using a market rate of interest (approximately 1.2%) to reflect their estimated present value. Pledges receivable are unsecured and are primarily from South Florida residents.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Annual Campaign (Continued)

Payments due on annual campaign pledges receivable are as follows:

Years Ending June 30,

2017	\$ 7,151,102
2018 - 2020	1,271,008
	\$ 8,422,110

During the years ended June 30, 2016 and 2015, the Federation recorded bad debt expense of approximately \$494,000 and \$371,000, respectively.

Capital Campaign

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

	2016	2015
Gross pledges receivable	\$ 2,389,873	\$ 3,256,302
Less: Allowance for doubtful accounts	(151,945)	(201,186)
Less: Discount on long-term pledges	(14,102)	(33,724)
Pledges receivable, net	\$ 2,223,826	\$ 3,021,392

Pledges receivable with payment terms in excess of one year have been discounted using a market rate of interest (approximately 1.2%) to reflect their estimated present value. Pledges receivable are unsecured and are primarily from South Florida residents.

Payments due on capital campaign pledges receivable are as follows:

Years Ending June 30,

2017	\$ 1,894,341
2018-2020	495,532
	\$ 2,389,873

During the years ended June 30, 2016 and 2015, the Federation recorded bad debt recovery of approximately \$37,000 and \$24,000, respectively, to allow for current capital campaign pledges and future write-offs.

5. TRANSACTIONS WITH AGENCIES

Mandel Jewish Community Center

The Federation advanced monies in prior years to the Mandel JCC, a beneficiary agency of the Federation. No monies were advanced during the years ended June 30, 2016 and 2015. The total balance due from the Mandel JCC was \$2,849,805 at June 30, 2016 and 2015. Because of the inherent uncertainties in the ability of the Mandel JCC to repay amounts advanced pursuant to the notes, the entire balance has been reserved at June 30, 2016 and 2015, and thus not reflected as an asset on the Consolidated Statements of Financial Position.

During the year ended June 30, 2013, the Federation and the Mandel JCC entered into a 25 year land lease with an option to extend the lease for a total of ninety-nine years. The Federation has estimated the fair market value of the lease at approximately \$195,000 a year. During the years ended June 30, 2016 and 2015, the Federation recorded in-kind income and expense of approximately \$195,000, which is included within "in-kind rental income" with a corresponding expense recorded within "Board approved allocations (including in-kind rent)." Due to the conditional nature of the ninety-nine year lease, the donated use of land is evaluated on an annual basis by the Federation to determine if the Mandel JCC has met the conditions stipulated in the lease agreement.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

5. TRANSACTIONS WITH AGENCIES (CONTINUED)

Arthur Meyer Academy

On October 10, 2013 the Federation and the Academy entered into an annual lease with automatic renewals, based on certain conditions, for a new building in Palm Beach Gardens. The initial term of the lease may extend to June 30, 2112. The Federation has estimated the fair market value of the lease at \$1,138,456 per year. During the years ended June 30, 2016 and 2015, the Federation recorded in-kind rent income and expense of \$1,138,456, for the new facility, and \$1,004,337 for the former facility, respectively, which is included in "In-kind and rental income" with a corresponding expense recorded within "Board approved allocations (including in-kind rent)". Due to the conditional nature of the ninety-nine year lease, the donated use of the property is evaluated on an annual basis by the Federation to determine if the Academy has met the conditions stipulated in the lease agreement.

During the years ended June 30, 2016 and 2015, the Federation paid approximately \$21,000 and \$1,344,000, respectively, to purchase fixed assets for the Academy, which is reflected within "Board approved allocations (including in-kind rent)" on the Consolidated Statements of Activities.

6. PROPERTY AND EQUIPMENT, NET

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

	<u>Useful Lives</u>	<u>2016</u>	<u>2015</u>
Land	-	\$ 5,158,073	\$ 5,158,073
Land improvements	15 years	2,709,102	2,706,377
Buildings	30 years	23,269,878	23,174,670
Furniture and equipment	5-10 years	1,944,859	1,822,928
Computer software	5 years	301,769	301,769
		<u>33,383,681</u>	<u>33,163,817</u>
Total (including equipment under capital lease of \$1,147,074 and \$1,064,583 at June 30, 2016 and 2015, respectively)		33,383,681	33,163,817
Less: Accumulated depreciation and amortization (accumulated amortization on capital leases of \$368,792 and \$209,597 at June 30, 2016 and 2015, respectively)		<u>(7,945,437)</u>	<u>(6,823,055)</u>
		<u>\$ 25,438,244</u>	<u>\$ 26,340,762</u>

Depreciation and amortization expense on property and equipment was approximately \$1,175,000 and \$1,126,000 for the years ended June 30, 2016 and 2015, respectively.

Sale of Campus

During the year ended June 30, 2011, the Campus Corporation entered into a lease for the West Palm Beach campus (the "Campus"). The agreement gave the tenant the option to purchase the entire Campus from the Campus Corporation. During the year ended June 30, 2013, the tenant exercised the option to purchase the Campus. With the option to purchase agreement, the tenant gave a deposit of \$3,000,000. On July 1, 2014, the Campus was sold for approximately \$24,308,000. On July 1, 2014, the Federation recorded a gain of approximately \$15,154,000, net of fees associated with the sale. The net book value of the Campus was approximately \$8,819,000 at June 30, 2014.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

7. LINE OF CREDIT

The Federation has a revolving line of credit. The credit line had a credit limit of \$10,000,000, however on March 22, 2016 the limit on the line was reduced to \$7,500,000. Bank advances on the credit line carry an interest rate of 1.0% per annum plus the one-month LIBOR rate (1.46% and 1.20% at June 30, 2016 and 2015, respectively). The line's maturity date is March 31, 2017. The credit line is unsecured and guaranteed by the Campus Corporation and the North Campus. At June 30, 2016 and 2015, the Federation had \$2,826,596 outstanding on the line of credit. Interest expense under the line of credit for the years ended June 30, 2016 and 2015 was approximately \$38,000 and \$34,000, respectively.

On August 1, 2016, the line of credit was amended and the limit on the line of credit was increased to \$10,000,000 and the maturity date was extended to March 31, 2018.

The line of credit agreement requires the Federation to meet certain financial covenants. As of June 30, 2016, management of the Federation believes it is in compliance with all of these covenants.

8. LOAN PAYABLE

Colorado Educational and Cultural Facilities Authority, Series P-2 Loan

In September 2013, the Federation entered into an agreement with the Colorado Education and Cultural Facilities Authority (the "Issuer") for the purpose of issuing Colorado Educational and Cultural Facilities Authority Variable Rate Demand Tax Exempt Loan Series P-2 in the aggregate principal amount of \$15,000,000 ("Series P-2"). The Series P-2 loan is provided by a financial institution. The proceeds were loaned by the Issuer to the Federation to pay for the constructing and equipping of the Academy, and to pay certain costs of issuance.

Principal is paid in semi-annual principal installments and the first principal payment was due on September 10, 2015 and runs through September 2043. Interest is paid monthly on the first business day of each month, and commenced October 1, 2013 and continuing thereafter until the loan maturity date at which time all outstanding and unpaid principal and all accrued but unpaid interest shall be due and payable in full. The interest rate is variable at 71% of the one-month LIBOR rate plus .89% (1.21% and 1.02% at June 30, 2016 and 2015, respectively). The financial institution has the option to call the loan in the three (3) month period preceding and succeeding the 7th anniversary, the 14th anniversary, the 21st anniversary, and the 28th anniversary of the loan. As of June 30, 2016 and 2015, the outstanding balance on this loan was approximately \$14,474,000 and \$14,481,000, respectively.

Approximate future principal payments on the loan payable are due as follows:

Years ending June 30,	
2017	\$ 526,000
2018	526,000
2019	526,000
2020	526,000
2021	526,000
Thereafter	<u>11,843,684</u>
	<u>\$ 14,473,684</u>

The series P-2 loan requires the Federation to meet certain financial covenants. The Federation must maintain a ratio of unrestricted liquid assets to the aggregate principal amount of all outstanding indebtedness of not less than 1.00 to 1.00. Management believes that the Federation is in compliance with this covenant at June 30, 2016; measured semi-annually.

During the year ended June 30, 2015, interest costs of approximately \$20,000 were capitalized to property and equipment as a result of the construction of the Academy. Once the Academy obtained its certificate of occupancy, the Federation began expensing the interest on the loan payable. During the years ended June 30, 2016 and 2015, interest of approximately \$166,000 and \$120,000 related to the loan payable was expensed and is reflected in the Consolidated Statements of Functional Expenses.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

9. CAPITAL LEASES PAYABLE

The Federation leases software and equipment under capital leases expiring September 2017 through July 2021. The leases are collateralized by software and property and equipment with total costs of \$1,147,074 and \$1,064,583 at June 30, 2016 and 2015, respectively. The interest rate on the capital leases ranges from 1.55% to 2.25%.

Total minimum future lease payments under the capital leases are as follows:

<u>Years ending June 30,</u>		
2017	\$	222,850
2018		207,304
2019		202,122
2020		139,916
2021		119,180
Thereafter		59,590
Total minimum lease payments		950,962
Present value of net minimum capital lease payments		(86,413)
Total	\$	864,549

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted based on time and purpose restrictions. The time restrictions will be met when the contribution is received in the future. The purpose restrictions will be met when the net assets are used or appropriated for specific programs or purposes.

Temporarily restricted net assets consist of the following at June 30:

	2016	2015
Cash surrender values of donated life insurance policies	\$ 271,657	\$ 264,901
Appreciation in designated endowment funds not appropriated	474,293	1,606,613
Appreciation in annual campaign endowment funds not appropriated	2,199,302	3,227,036
Split-interest agreements	1,420,648	1,705,100
Annual campaign contributions for future years	1,335,958	1,336,832
Capital campaign contributions	4,264,105	3,769,290
Other funds	671,989	333,799
Total	\$ 10,637,952	\$ 12,243,571

11. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at June 30:

	2016	2015
Cash surrender values of donated life insurance policies	\$ 715,290	\$ 689,725
Split-interest agreements	1,265,930	1,906,710
Designated endowment funds	19,792,589	18,822,022
Annual campaign endowment funds	12,788,849	12,624,564
Total	\$ 34,562,658	\$ 34,043,021

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

11. PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

A designated fund is established for specific charitable purposes. An annual campaign endowment is established to allow the donor to make annual campaign contributions, in perpetuity, while the corpus remains permanently invested.

12. ALLOCATIONS AND DISTRIBUTIONS

Allocations and distributions from unrestricted net assets include the following during the years ended June 30:

	<u>2016</u>	<u>2015</u>
The Jewish Federation of North America	<u>\$ 4,166,609</u>	<u>\$ 4,144,377</u>
Board approved agency allocations:		
Mandel Jewish Community Center of the Greater Palm Beaches, Inc.	\$ 2,175,672	\$ 2,242,172
Arthur I. Meyer Jewish Academy, Inc.	1,576,944	2,794,557
Jewish Family and Children's Service of Palm Beach County, Inc.	715,311	712,461
Commission for Jewish Education of the Palm Beaches, Inc.	481,653	551,341
Senior Service Subsidies	793,487	873,063
Various other agencies	598,289	1,281,191
Total board approved allocations (including in-kind rent allocation of approximately \$2,292,000 and \$2,157,000 for 2016 and 2015, respectively)	<u>\$ 6,341,356</u>	<u>\$ 8,454,785</u>
Distributions from Planned Giving and Endowments Funds:		
Overseas	\$ 1,240,319	\$ 1,962,865
Local beneficiary agency	1,154,194	1,585,197
Other local Jewish organizations	610,924	1,571,832
Local secular organizations	968,173	988,772
National Jewish organizations	33,001	72,831
National secular organizations	713,496	895,616
Other miscellaneous	11,651	1,550
Total distributions from Planned Giving and Endowment Funds	<u>\$ 4,731,758</u>	<u>\$ 7,078,663</u>
Total Allocations and Distributions	<u>\$ 15,239,723</u>	<u>\$ 19,677,825</u>

13. EMPLOYEE BENEFIT PLANS AND RETIREMENT

The Federation sponsors a 401(k) plan covering substantially all employees. Employees are eligible for the plan on the 1st of the month following their date of employment.

The plan created a safe harbor plan. In addition to a 3% safe harbor non-elective contribution, the Federation contributes 2% to the employee 401(k) with an additional 3% dollar for dollar match. For new staff, contributions start on January 1 or July 1 after the person has completed 6 months of employment. All employee contributions and safe harbor contributions vest immediately. Matching and employer contributions vest after three years of service. The amount of expense related to the Money Purchase Plan and Safe Harbor Plan amounted to approximately \$331,000 and \$332,000 for the years ended June 30, 2016 and 2015, respectively, and are included in "Pension and health" in the accompanying Consolidated Statements of Functional Expenses.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

14. ENDOWMENTS

The Federation's endowments consist of individual funds established for a variety of purposes. Its endowments are comprised of unrestricted funds, donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Federation has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies as 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets 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 the FUPMIFA.

The Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Federation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Federation
- (7) The investment policy of the Federation.

For the years ended June 30, 2016 and 2015, the Federation has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Summary of Endowment Net Assets at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (1,610,318)	\$ 2,673,595	\$ 32,581,438	\$ 33,644,715
Board-designated endowment funds	13,391,994	-	-	13,391,994
Total endowment net assets	\$ 11,781,676	\$ 2,673,595	\$ 32,581,438	\$ 47,036,709

Summary of Endowment Net Assets at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (518,044)	\$ 4,833,649	\$ 31,446,586	\$ 35,762,191
Board-designated endowment funds	13,831,697	-	-	13,831,697
Total endowment net assets	\$ 13,313,653	\$ 4,833,649	\$ 31,446,586	\$ 49,593,888

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

14. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, June 30, 2015	\$ 13,313,653	\$ 4,833,649	\$ 31,446,586	\$ 49,593,888
Investment income (loss), net	105,955	(1,517,648)	-	(1,411,693)
Contributions	827,629	-	1,459,252	2,286,881
Transfer from endowment	-	-	(324,400)	(324,400)
Amounts appropriated for expenditure	(2,351,909)	(572,067)	-	(2,923,976)
Investment fees	(113,652)	(70,339)	-	(183,991)
Net assets, June 30, 2016	\$ 11,781,676	\$ 2,673,595	\$ 32,581,438	\$ 47,036,709

Changes in endowment net assets for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, June 30, 2014	\$ 6,439,820	\$ 6,060,444	\$ 30,861,485	\$ 43,361,749
Investment income, net	585,817	173,065	-	758,882
Contributions	7,149,450	-	585,101	7,734,551
Amounts appropriated for expenditure	(810,231)	(1,258,689)	-	(2,068,920)
Investment fees	(51,203)	(141,171)	-	(192,374)
Net assets, June 30, 2015	\$ 13,313,653	\$ 4,833,649	\$ 31,446,586	\$ 49,593,888

Permanently Restricted Net Assets:

	<u>2016</u>	<u>2015</u>
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by FUPMIFA	\$ 32,581,438	\$ 31,446,586

Split-interest agreements and cash surrender values of donated life insurance policies are part of permanently restricted net assets but are managed separately from permanent fund endowments. Therefore, these instruments are not included in the spending calculation for the permanent fund or in the endowment net assets reported.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Federation to retain as a fund of perpetual duration. At June 30, 2016 and 2015, the fair market value of permanently restricted investments was approximately \$33,645,000 and \$35,762,000.

In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were approximately \$1,610,000 and \$518,000 at June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Federation.

Additionally, the fair market value of certain funds exceeded the value required to be retained by the donor or law by approximately \$2,674,000 and \$4,834,000 at June 30, 2016 and 2015, respectively. These amounts were reported in temporarily restricted net assets at June 30, 2016 and 2015, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

14. ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

The Federation has adopted investment policies for endowment assets with its primary objective to provide for long-term growth of principal and income within reasonable risk tolerances enabling the Federation to make grants on a continuing and consistent basis. The focus is on reasonable and consistent long-term capital appreciation. Primary emphasis is placed on maintaining real growth of assets net of inflation and fees.

Strategies Employed for Achieving Objectives

To satisfy its investment objectives, the Federation has adopted an investment strategy emphasizing broad diversification. Diversification helps to reduce portfolio volatility (variability of returns) and maximize investment returns at appropriate levels of risk over time. Diversification of assets are achieved by allocating assets to multiple asset classes, allocating assets among various investment styles and retaining investment management firms with complementary investment philosophies, styles and approaches.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Federation has a policy of appropriating distributions based on written agreements with the donors. In most, but not all cases, the agreements reflect distributions each year of 5% of the average fair value of a thirty six month period through the period preceding when the distributions will be made. In establishing this 5% spending policy, the Federation considered the long-term growth of assets. Accordingly, over the long term, the Federation expects the current spending policy to allow its endowment to maintain real growth of assets.

15. COMMITMENTS & CONTINGENCIES

Operating Lease

In July 2014, the Federation entered into a lease agreement with the Oxbridge Academy, a Florida not-for profit corporation, to lease its operating facilities. On February 23, 2016, the lease was extended through June 30, 2017. The monthly base rent is approximately \$18,000. Rent expense for the years ended June 30, 2016 and 2015 are \$108,000 and \$111,000, respectively. The anticipated future minimum payments for the year ended June 30, 2017 is approximately \$216,000.

Litigation

The Federation is exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution will not have a material effect on the Federation's Consolidated Statements of Financial Position or Consolidated Statements of Activities.

Unfunded Alternative Investments

The Federation has investments in certain funds that require capital calls. These unfunded commitments (NOTE 2) totaled approximately \$3,116,000 at June 30, 2016. In general, the private equity partnerships have a 10 year investment period and will call capital over this time period.

16. SUBSEQUENT EVENT

On June 23, 2016 the Federation entered into a Purchase and Sale Agreement, to purchase a certain parcel of land, commonly known as One Harvard Circle, for \$10,700,000. This property was purchased with the intent to be the new headquarters of the Federation. The sale closed on August 29, 2016. The Federation plans to move into this facility during the year ending June 30, 2017. The Federation has received various pledges for the purchase of the new headquarters including one significant pledge in the amount of approximately \$5,000,000. The Federation has collected \$3,500,000 of this pledge, through the date of this report, and expects to collect the remaining outstanding balance during the year ended June 30, 2017. The Federation utilized the cash collected on these pledges, cash on hand and investments on hand to fund the purchase of the new headquarters.