

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015



**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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To the Board of Directors  
The United Jewish Community of Broward County, Inc.  
d/b/a Jewish Federation of Broward County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The United Jewish Community of Broward County, Inc. d/b/a Jewish Federation of Broward County (a Florida corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to 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 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 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 United Jewish Community of Broward County, Inc. d/b/a Jewish Federation of Broward County as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Fort Lauderdale, Florida  
November 9, 2016

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

STATEMENTS OF FINANCIAL POSITION  
JUNE 30,

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents (including restricted cash of \$180,853 and \$188,690 for 2016 and 2015, respectively)	\$ 304,879	\$ 349,849
Pledges receivable, net	1,124,000	1,678,780
Due from estates, trusts and other	1,065,995	602,326
Investments	90,766,990	81,047,079
Trust assets managed by others	997,280	976,306
Property and equipment, net	13,776,935	14,436,254
Other assets	48,846	26,024
<b>TOTAL ASSETS</b>	<b>\$ 108,084,925</b>	<b>\$ 99,116,618</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 640,885	\$ 314,524
Line of credit	1,142,507	883,550
Allocations payable	2,523,963	2,424,727
Note payable	6,750,000	7,500,000
Trust assets held on behalf of agencies	8,291,655	7,953,154
Split-interest agreements	2,796,064	1,039,066
Agency funds	175,110	170,703
<b>TOTAL LIABILITIES</b>	<b>22,320,184</b>	<b>20,285,724</b>
<b>NET ASSETS</b>		
Unrestricted (including \$32,569,747 for 2016 and \$25,608,227 for 2015 of Board-designated endowment funds)	53,586,882	46,665,152
Temporarily restricted	5,802,524	7,534,516
Permanently restricted	26,375,335	24,631,226
<b>TOTAL NET ASSETS</b>	<b>85,764,741</b>	<b>78,830,894</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 108,084,925</b>	<b>\$ 99,116,618</b>

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

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>								
Campaign contributions, net	\$ 3,260,379	\$ 356,883	\$ -	\$ 3,617,262	\$ 2,887,800	\$ 460,865	\$ -	\$ 3,348,665
Contributions from related party (NOTE 11)	7,242,491	-	-	7,242,491	-	-	-	-
Planned giving, other contributions and change in split-interest agreements	2,550,665	5,519	1,529,139	4,085,323	959,590	12,128	446,522	1,418,240
Program income	962,298	-	-	962,298	913,598	-	-	913,598
Other income including in-kind rental income	1,460,335	-	-	1,460,335	1,441,284	-	-	1,441,284
Net assets released from restrictions and reclassifications	1,943,816	(2,158,786)	214,970	-	1,829,337	(1,829,337)	-	-
<b>TOTAL REVENUE AND SUPPORT BEFORE INVESTMENT INCOME</b>	<b>17,419,984</b>	<b>(1,796,384)</b>	<b>1,744,109</b>	<b>17,367,709</b>	<b>8,031,609</b>	<b>(1,356,344)</b>	<b>446,522</b>	<b>7,121,787</b>
Investment income, net (NOTE 5)	681,423	64,392	-	745,815	746,144	908,545	-	1,654,689
<b>TOTAL REVENUE AND SUPPORT</b>	<b>18,101,407</b>	<b>(1,731,992)</b>	<b>1,744,109</b>	<b>18,113,524</b>	<b>8,777,753</b>	<b>(447,799)</b>	<b>446,522</b>	<b>8,776,476</b>
<b>ALLOCATIONS AND EXPENSES</b>								
<b>ALLOCATIONS</b>								
Allocations to Jewish Federations of North America	710,902	-	-	710,902	681,164	-	-	681,164
Allocations made by Jewish Community Foundation	2,398,256	-	-	2,398,256	2,525,240	-	-	2,525,240
Allocations to local, state and national agencies including in-kind expense	4,240,707	-	-	4,240,707	4,193,683	-	-	4,193,683
<b>TOTAL ALLOCATIONS</b>	<b>7,349,865</b>	<b>-</b>	<b>-</b>	<b>7,349,865</b>	<b>7,400,087</b>	<b>-</b>	<b>-</b>	<b>7,400,087</b>
<b>EXPENSES</b>								
Program services	1,802,571	-	-	1,802,571	1,555,530	-	-	1,555,530
Fundraising	975,629	-	-	975,629	920,752	-	-	920,752
Management and general	1,051,612	-	-	1,051,612	1,142,529	-	-	1,142,529
<b>TOTAL EXPENSES</b>	<b>3,829,812</b>	<b>-</b>	<b>-</b>	<b>3,829,812</b>	<b>3,618,811</b>	<b>-</b>	<b>-</b>	<b>3,618,811</b>
<b>TOTAL ALLOCATIONS AND EXPENSES</b>	<b>11,179,677</b>	<b>-</b>	<b>-</b>	<b>11,179,677</b>	<b>11,018,898</b>	<b>-</b>	<b>-</b>	<b>11,018,898</b>
<b>CHANGE IN NET ASSETS</b>	<b>6,921,730</b>	<b>(1,731,992)</b>	<b>1,744,109</b>	<b>6,933,847</b>	<b>(2,241,145)</b>	<b>(447,799)</b>	<b>446,522</b>	<b>(2,242,422)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>46,665,152</b>	<b>7,534,516</b>	<b>24,631,226</b>	<b>78,830,894</b>	<b>48,906,297</b>	<b>7,982,315</b>	<b>24,184,704</b>	<b>81,073,316</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 53,586,882</b>	<b>\$ 5,802,524</b>	<b>\$ 26,375,335</b>	<b>\$ 85,764,741</b>	<b>\$ 46,665,152</b>	<b>\$ 7,534,516</b>	<b>\$ 24,631,226</b>	<b>\$ 78,830,894</b>

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

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 6,933,847	\$ (2,242,422)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	663,749	663,412
Net realized and unrealized loss on investments	2,965,947	1,322,493
Permanently restricted contributions	(1,529,139)	(446,522)
Bad debt expense	324,581	243,439
Change in split-interest agreements	(6,436)	200,905
(Increase) decrease in assets:		
Pledges receivable	230,199	207,814
Due from estates, trusts and other	(69,324)	425,954
Trust assets managed by others	(20,974)	(7,639)
Other assets	(22,822)	5,545
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	326,361	(12,138)
Allocations payable	99,236	(286,008)
Agency funds	4,407	(45,415)
<b>TOTAL ADJUSTMENTS</b>	<b>2,965,785</b>	<b>2,271,840</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>9,899,632</b>	<b>29,418</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(4,430)	(17,616)
Net (purchases) sales of investments	(10,974,886)	1,339,441
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(10,979,316)</b>	<b>1,321,825</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Permanently restricted contributions	1,423,694	697,926
Payments on split-interest obligations	(236,438)	(369,712)
Trust assets held on behalf of agencies	338,501	(391,907)
Repayments on line of credit	(4,497,615)	(4,847,680)
Proceeds from line of credit	4,756,572	4,410,857
Payments on note payable	(750,000)	(750,000)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>1,034,714</b>	<b>(1,250,516)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(44,970)</b>	<b>100,727</b>
<b>CASH AND CASH EQUIVALENTS (including restricted cash) - BEGINNING OF YEAR</b>	<b>349,849</b>	<b>249,122</b>
<b>CASH AND CASH EQUIVALENTS (including restricted cash) - END OF YEAR</b>	<b>\$ 304,879</b>	<b>\$ 349,849</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	<b>\$ 116,236</b>	<b>\$ 116,854</b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION:</b>		
Assets and liability acquired through estate (NOTE 4)	<b>\$ 1,999,872</b>	<b>\$ -</b>

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

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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

	<b>Supporting Services</b>			<b>Program Services</b>	<b>Total</b>
	<b>Fundraising</b>	<b>Management and General</b>	<b>Total Supporting Services</b>	<b>Total Program Services</b>	
Salaries	\$ 642,014	\$ 583,658	\$ 1,225,672	\$ 640,747	\$ 1,866,419
Payroll taxes	41,245	44,329	85,574	45,267	130,841
Employee health and other benefits	37,979	48,506	86,485	45,622	132,107
<b>Total salaries and related expenses</b>	<b>721,238</b>	<b>676,493</b>	<b>1,397,731</b>	<b>731,636</b>	<b>2,129,367</b>
Accounting fees	-	38,955	38,955	-	38,955
Advertising	23,354	-	23,354	2,332	25,686
Auto/transportation expenses	13,726	4,716	18,442	355	18,797
Bank charges and credit card fees	50,065	1,896	51,961	-	51,961
Conferences	14,188	5,169	19,357	-	19,357
Consulting	10,358	13,840	24,198	11,332	35,530
Depreciation	8,370	108,610	116,980	2,121	119,101
Dinners and meetings	17,699	13,628	31,327	3,943	35,270
Housing allowance	-	8,308	8,308	-	8,308
Insurance	-	43,524	43,524	4,660	48,184
Interest	-	11,001	11,001	-	11,001
Occupancy	42,100	48,744	90,844	48,111	138,955
Office service and equipment contracts	9,579	15,177	24,756	10,579	35,335
Office supplies and other	14,991	10,787	25,778	8,595	34,373
Postage	2,736	8,928	11,664	229	11,893
Printing	14,691	6,050	20,741	2,658	23,399
Professional fees	-	20,537	20,537	265,994	286,531
Community activities	13,212	-	13,212	705,819	719,031
Telephone	7,696	7,487	15,183	2,018	17,201
Other	11,626	7,762	19,388	2,189	21,577
<b>Total functional expenses</b>	<b>\$ 975,629</b>	<b>\$ 1,051,612</b>	<b>\$ 2,027,241</b>	<b>\$ 1,802,571</b>	<b>\$ 3,829,812</b>

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

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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

	<b>Supporting Services</b>			<b>Program Services</b>	<b>Total</b>
	Fundraising	Management and General	Total	Total Program Services	
			Supporting Services		
Salaries	\$ 552,958	\$ 759,752	\$ 1,312,710	\$ 616,357	\$ 1,929,067
Payroll taxes	31,100	43,432	74,532	57,349	131,881
Employee health and other benefits	43,891	85,552	129,443	43,991	173,434
Total salaries and related expenses	627,949	888,736	1,516,685	717,697	2,234,382
Accounting fees	-	38,500	38,500	-	38,500
Advertising	29,129	2,057	31,186	4,422	35,608
Auto/transportation expenses	16,224	7,447	23,671	1,547	25,218
Bank charges and credit card fees	49,176	5,305	54,481	-	54,481
Conferences	7,373	3,225	10,598	-	10,598
Consulting	10,124	13,468	23,592	10,257	33,849
Depreciation	36,852	39,501	76,353	42,410	118,763
Dinners and meetings	15,758	6,742	22,500	2,443	24,943
Housing allowance	-	9,231	9,231	-	9,231
Insurance	12,176	17,455	29,631	14,047	43,678
Interest	-	11,600	11,600	-	11,600
Occupancy	38,388	43,456	81,844	43,783	125,627
Office service and equipment contracts	10,611	15,335	25,946	11,801	37,747
Office supplies and other	19,133	14,892	34,025	10,643	44,668
Postage	7,186	7,808	14,994	593	15,587
Printing	17,543	2,167	19,710	-	19,710
Professional fees	10,980	7,899	18,879	2,187	21,066
Community activities	-	-	-	688,580	688,580
Telephone	1,724	-	1,724	1,998	3,722
Other	10,426	7,705	18,131	3,122	21,253
Total functional expenses	<b>\$ 920,752</b>	<b>\$ 1,142,529</b>	<b>\$ 2,063,281</b>	<b>\$ 1,555,530</b>	<b>\$ 3,618,811</b>

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



**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Organization**

The United Jewish Community of Broward County, Inc. d/b/a Jewish Federation of Broward County (the "Federation") is a not-for-profit fundraising organization which provides financial support for the social, cultural and educational advancement of the Jewish community through local programs and by funding other not-for-profit beneficiary agencies locally, nationally and in Israel.

**Basis of Presentation**

The Federation prepares its 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*

Net assets which are free of donor-imposed restrictions; all revenues, gains, and losses that are not changes in permanently or temporarily restricted net assets. A portion of these net assets may be designated by the Board of the Federation for future investment and are reflected on the Statements of Financial Position as unrestricted net assets.

*Temporarily Restricted Net Assets*

Net assets where the use by the Federation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Federation pursuant to those stipulations. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets.

*Permanently Restricted Net Assets*

Net assets where the 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. Generally, the donors of these assets permit the Federation to use all or part of the income earned on any related investments for general or specific purposes.

**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 for the benefit of other agencies.

**Pledges Receivable, Net**

Pledges, less a provision for estimated uncollectible amounts and unamortized discounts, are recorded as a receivable and revenue when pledges are made. The provision for uncollectible pledges is based, among other things, on the Federation's past collection experience and the impact of changes in the current economic conditions and 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.

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Annual Campaigns**

For financial statement presentation purposes, public support is recorded on a June 30 fiscal year basis and matched against fiscal year allocations made to beneficiary agencies.

**Allocations and Donated Facilities**

Allocations represent financial support pledged by the Federation to other not-for-profit organizations or institutions. Total financial support available for allocations is based on the amount of public support received by the Federation after deducting support service expenses. The amounts allocated are approved by a majority of the Board of Directors and are recorded as liabilities of the Federation when awarded.

Additionally, assets were purchased and constructed for the Federation and for the benefit of the David Posnack Jewish Community Center ("JCC") and the David Posnack Jewish Day School ("DPJDS"). The agencies' respective share of depreciation and interest expense directly related to such assets and liabilities, incurred by the Federation, are classified as allocations to beneficiary agencies. The agencies' share of the debt, depreciation and interest expense did not reflect the fair value of the donated facilities provided. As such, the Federation recorded in-kind revenue and allocation expense to reflect the fair value of the donated use of facility.

Interest and depreciation recorded as allocation expense for the years ended June 30, 2016 and 2015 totaled approximately \$650,000 and \$660,000, respectively. Additionally, in-kind rental income and expense for donated facilities totaled approximately \$1,337,000 and \$1,253,000 for the years ended June 30, 2016 and 2015, respectively.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Federation that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

When a restriction expires, temporarily restricted net assets are transferred or released to unrestricted net assets. The Federation accounts for temporarily restricted contributions for which the restrictions are met in the same reporting period as they are received as unrestricted support.

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 subsequent to the year in which such pledges are received are charged to the allowance. Pledges determined to be uncollectible during the year in which such pledges are received are shown as a reduction of contributions.

**Split-Interest Gifts**

The Federation is the trustee and remainder beneficiary of various charitable remainder trusts. Trust assets are stated at fair market value. Liabilities are recorded as split-interest agreements in the accompanying Statements of Financial Position and are determined using Internal Revenue Service actuarial assumptions, discounted using the applicable federal rate in effect at the date of the gift. In addition, certain contributions are received pursuant to trusts which name other agencies as the beneficiary in whole or in part and therefore, those amounts due to other agencies are recorded as "Agency funds" within the accompanying Statements of Financial Position. In some cases, trusts are created where the Federation is not the trustee, but is the ultimate beneficiary. The assets in these trusts are separately identified in the accompanying Statements of Financial Position as "Trust assets managed by others."

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Split-Interest Gifts (Continued)**

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.

Contribution revenue and the net changes in the value of these split-interest agreements amounted to an approximate income of \$46,000 and \$53,000 for the years ended June 30, 2016 and 2015, respectively, and are included in the accompanying Statements of Activities within the caption "Planned giving, other contributions and change in split-interest agreements."

The assets related to the split-interest agreements are included in the accompanying Statements of Financial Position within the caption "Investments" and totaled approximately \$1,459,000 and \$1,943,000 at June 30, 2016 and 2015, respectively. Additionally, certain assets are reflected as "Trust assets managed by others" and totaled approximately \$997,000 and \$976,000 at June 30, 2016 and 2015, respectively. The liabilities of the split-interest agreements, included in the accompanying Statements of Financial Position, totaled approximately \$2,796,000 and \$1,039,000 at June 30, 2016 and 2015, respectively.

**Functional Expenses**

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

**Investments**

The Federation follows the provision of an accounting standard which requires investments in marketable securities with readily determinable fair values and all investments in debt securities to be valued at their fair values in the Statements of Financial Position.

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

As of June 30, 2016 and 2015, the Federation held various financial instruments. Regarding cash and cash equivalents, accounts receivable and accounts payable, the carrying value on the financial statements approximates fair value because of the short-term nature. The fair value of the debt is not significantly different from the carrying value on the financial statements as the Federation can obtain similar debt for similar terms. The long-term pledges receivable and split-interest agreement liabilities have been discounted and approximate fair value. The carrying value of due from estates, trusts and other, trust assets managed by others, other assets, accounts payable and accrued expenses, line of credit, allocation payable, trust assets held on behalf of agencies and agency funds on the Statements of Financial Position approximates fair value.

**Property and Equipment, Net**

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and a gain or loss, if any, is recognized. Repairs and maintenance are charged to expense as incurred. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the assets for a specific purpose. Additionally, the Federation's land and building is reported as a temporarily restricted asset, inasmuch as the construction of those assets was funded by donors whose contributions were restricted for that purpose.

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Property and Equipment, Net (Continued)**

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 indicate that assets may have been impaired. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets is 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.

**Use of Estimates**

The accompanying financial statements have been prepared in conformity with U.S. GAAP. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the Statements of Financial Position. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**Income Taxes**

The Federation is exempt from federal income taxes as an organization, as described in Section 501(c)(3) of the Internal Revenue Code. This exemption is subject to periodic review by the Internal Revenue Service. 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 the State of Florida jurisdiction 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 years before 2013.

**Recent Accounting Pronouncements**

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board ("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 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 financial statements.

Fair Value Measurement

In May 2015, the 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. The Federation is currently evaluating the effect the update will have on its financial statements.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Subsequent Events**

On September 27, 2016, the Board of Directors approved a motion to grant the DPJDS a ground lease to construct a middle school on Federation's land, to sign a building permit related to the school, and to guarantee the loan related to construction of the new middle school building subject to certain conditions. As of the date these financials statements were available to be issued, no documents have been finalized. The Federation has evaluated subsequent events through November 9, 2016, which is the date the financial statements were available to be issued.

**2. CONCENTRATION OF RISK**

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Financial instruments that potentially subject the Federation to concentrations of credit risk are cash and cash equivalents, contributions, pledges receivable and investments.

**Cash and Cash Equivalents**

At various times during the year, the Federation had deposits at financial institutions in excess of federally insured limits. The Federation maintains its cash with high quality financial institutions which, the Federation believes, limits these risks.

**Contributions and Pledges Receivable**

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**

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 markets will impact the value of the portfolio.

Additionally, due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Federation's investment balances and the amounts reported in the Statements of Financial Position. The Federation utilizes an investment policy and a management oversight board, which periodically reviews its investment portfolios to monitor these risks.

**3. PLEDGES RECEIVABLE, NET**

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Pledges receivable pertaining to the general campaign represents commitments from donors to fund the ongoing operations of the Federation. Pledges, which are due within one year, are reported as assets at their net realizable value.

Pledges receivable are as follows at June 30:

	<u>2016</u>	<u>2015</u>
Pledges receivable	\$ 2,344,588	\$ 3,078,829
Allowance for estimated uncollectible pledges	<u>(1,220,588)</u>	<u>(1,400,049)</u>
	<u>\$ 1,124,000</u>	<u>\$ 1,678,780</u>

Bad debt expense on current year pledges totaled approximately \$325,000 and \$243,000 for the years ended June 30, 2016 and 2015, respectively and are netted against campaign contributions in the Statements of Activities.

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**4. DUE FROM ESTATES, TRUSTS AND OTHER**

During the years ended June 30, 2016 and 2015, the Federation was notified that it was named as a beneficiary in various Estates/Trusts. For the years ended June 30, 2016 and 2015, the Federation estimates that the value of its interest in these Estates/Trusts is approximately \$559,000 and \$428,000, respectively, and is included in the caption "Due from estates, trusts and other" in the Statements of Financial Position.

During the year ended June 30, 2016, the Federation was appointed as trustee for an estate valued at approximately \$2,000,000. The estate includes investments and receivables of approximately \$1,700,000 and \$300,000, respectively, and are reflected in the Statements of Financial Position as "Investments" and "Due from estates, trusts and other", respectively. The Federation is a second beneficiary due to receive 25% of the residual value; however, management does not anticipate any residual income from this gift due to various factors relating to the primary beneficiary. As such, a corresponding liability is reflected in the Statement of Financial Position as "Split-interest agreements" for the full value of the estate payable over the beneficiary's life span.

**5. INVESTMENTS**

Investments, at fair market value, are comprised of the following at June 30:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 2,532,041	\$ 326,245
Equity securities	821,745	1,778,085
Bonds	3,034,556	1,309,729
Mutual funds	68,060,935	61,264,348
Limited partnerships	-	497,648
State of Israel bonds	3,010,216	3,070,536
Alternative investments	13,307,497	12,800,488
Total investments	<u>\$ 90,766,990</u>	<u>\$ 81,047,079</u>

Investment income, net, from cash equivalents and investments is comprised of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividends (including fees)	\$ 3,711,762	\$ 2,977,182
Net realized gain	1,014,646	2,070,243
Net unrealized loss	(3,980,593)	(3,392,736)
	<u>\$ 745,815</u>	<u>\$ 1,654,689</u>

Investment income is shown net of investment management fees of approximately \$386,000 and \$376,000 for the years ended June 30, 2016 and 2015, respectively. Certain investments have been invested on behalf of affiliated agencies (NOTE 10). These investments are reflected as "Investments" and "Trust assets held on behalf of agencies" in the Statements of Financial Position. As of June 30, 2016 and 2015, total investments of \$8,291,655 and \$7,953,154, respectively, are held in trust for affiliated agencies.

The majority of the Federation's financial assets are invested in publicly traded equities and mutual funds that are listed on national exchanges, treasury and agency bonds of the United States of America and international governments, and investment grade corporate bonds for which active trading markets exist. Such assets are valued at quoted closing prices at year end.

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**5. INVESTMENTS (CONTINUED)**

Alternative strategies include investments in limited partnership and other funds where the Federation has the right to withdraw its investments (after the expiration of “lock-up” periods of one to two years) 65 or 90 days prior to the end of the calendar quarter. The underlying investments of the partnership funds are valued at fair value on a quarterly basis by the partnership. These are offshore funds located in the Cayman Islands and include investments in hedge funds. As part of the alternative strategy investment structure, initial capital commitments are required. The fair value of the alternative investments is determined by using the net asset value of the portfolio.

The Federation’s investment in alternative investments consists of the following:

	<b>Alternative Investments</b>				
	Fair Value as of 6/30/2016	Fair Value as of 6/30/2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
SEI Core Property Fund, LP (a)	\$ 9,595,538	\$ 8,975,353	\$ -	Quarterly	65 days
SEI Structured Credit Master Fund (b)	3,518,402	3,825,135	-	Quarterly	65 days
UBS PACE Fund (c)	193,557	-	-	Not available	90 days
<b>Total</b>	<b>\$ 13,307,497</b>	<b>\$ 12,800,488</b>	<b>\$ -</b>		

The following is a summary of the investment strategies of the investments valued at net asset value:

- (a) The fund seeks both current income and long-term capital appreciation through investing in underlying funds that acquire, manage, and dispose of commercial real estate properties.
- (b) The fund seeks to generate high total returns. The fund pursues its investment objective by investing in a portfolio comprised of collateral debt obligations, which includes collateralized loan obligations and other structure credit investments.
- (c) The fund seeks long-term capital appreciation by investing in U.S. and international equity securities, fixed income securities not subject to any credit rating or maturity limitations, issued by companies, governments and supranational entities globally. The fund, which is non-diversified, may invest in emerging and developed markets and securities of other investment companies including exchange-traded funds.

**6. 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).

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

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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.

The 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 funds, mutual funds and equity securities consist of investments managed primarily by independent investment advisors with discretionary investment authority. Equity securities consist primarily of common stocks. These investments are valued at the closing price reported in the active market in which the individual securities are traded.

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.

The State of Israel bonds 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 on the financial statements is equal to the face value which approximates fair value.

Alternative investments are managed primarily through investments held by independent investment advisors. These investments include private capital limited partnerships and other securities. For SEI funds, partial withdrawals are paid in full, full liquidation requests are done with 90% payment at quarter end and the remaining 10% paid at year end with interest. The underlying investments of the SEI funds are valued at fair value on a quarterly basis. For PACE funds, the underlying investments are valued at closing price, daily net asset value or other suitable methods depending on the type of asset.

Investments in limited partnerships are carried at the fair value at the date of donation which approximates fair value at June 30, 2015.

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.



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JUNE 30, 2016 AND 2015

**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following tables represent the Federation's investments that are measured at fair value on a recurring basis at June 30, 2016 and 2015 for each of the fair value hierarchy levels:

		<b>Fair Value Measurements at June 30, 2016</b>		
<b>Description</b>	<b>Fair Value</b>	<b>Quoted Prices In Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>
Assets:				
Money market funds	\$ 2,532,041	\$ 2,532,041	\$ -	\$ -
Equity securities	821,745	821,745	-	-
Bonds	3,034,556	3,034,556	-	-
Mutual funds	68,060,935	68,060,935	-	-
State of Israel bonds	3,010,216	-	3,010,216	-
Alternative investments	13,307,497	-	-	13,307,497
	<b>\$ 90,766,990</b>	<b>\$ 74,449,277</b>	<b>\$ 3,010,216</b>	<b>\$ 13,307,497</b>

		<b>Fair Value Measurements at June 30, 2015</b>		
<b>Description</b>	<b>Fair Value</b>	<b>Quoted Prices In Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>
Assets:				
Money market funds	\$ 326,245	\$ 326,245	\$ -	\$ -
Equity securities	1,778,085	1,778,085	-	-
Bonds	1,309,729	1,309,729	-	-
Mutual funds	61,264,348	61,264,348	-	-
State of Israel bonds	3,070,536	-	3,070,536	-
Limited partnerships	497,648	-	-	497,648
Alternative investments	12,800,488	-	-	12,800,488
	<b>\$ 81,047,079</b>	<b>\$ 64,678,407</b>	<b>\$ 3,070,536</b>	<b>\$ 13,298,136</b>

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**6. FAIR VALUE MEASUREMENTS (CONTINUED)**

**Changes in fair value of Level 3 assets**

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 13,298,136	\$ 10,563,951
Purchases	205,546	1,732,000
Net appreciation in fair value	770,819	1,230,238
Withdrawals	<u>(967,004)</u>	<u>(228,053)</u>
Balance, end of year	<u><b>\$ 13,307,497</b></u>	<u><b>\$ 13,298,136</b></u>

**7. PROPERTY AND EQUIPMENT, NET**

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

	<u>2016</u>	<u>2015</u>
Land and improvements	\$ 5,194,519	\$ 5,194,519
Buildings and equipment	20,928,765	20,928,765
Furniture and equipment	<u>136,587</u>	<u>132,157</u>
	26,259,871	26,255,441
Less accumulated depreciation	<u>(12,482,936)</u>	<u>(11,819,187)</u>
	<u><b>\$ 13,776,935</b></u>	<u><b>\$ 14,436,254</b></u>

Total depreciation expense for the years ended June 30, 2016 and 2015 was approximately \$664,000 and \$663,000, respectively. Depreciation expense related to the buildings and equipment at the JCC and the DPJDS was approximately \$545,000 for the years ended June 30, 2016 and 2015, and is included in Allocations to local, state and national agencies including in-kind expenses in the accompanying Statements of Activities. The remaining balance of approximately \$119,000 is included under the caption "Depreciation" in the accompanying Statements of Functional Expenses for the years ended June 30, 2016 and 2015.

**8. LINE OF CREDIT**

The Federation entered into an agreement for a revolving line of credit with a financial institution. The line has a maximum borrowing limit of \$1,500,000 and expires on November 28, 2016. At June 30, 2016 and 2015, the amount due on the line was \$1,142,507 and \$883,550, respectively. Interest is payable at the 1 month LIBOR rate plus 100 basis points and was 1.46% and 1.19% as of June 30, 2016 and 2015, respectively. Interest expense under the line of credit for the years ended June 30, 2016 and 2015 was approximately \$11,000 and \$11,600, respectively.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

**9. NOTE PAYABLE**

In June 2013, the Federation entered into a long-term loan in the amount of \$9,000,000 from a financial institution to fully repay the Town of Davie Variable Rate Demand Bonds acquired in 2004. The note is an 84 month term loan, repayable in equal monthly principal payments of \$62,500 plus interest. The interest rate is variable using the 1 month LIBOR rate plus 1.15% and was 1.61% and 1.34% as of June 30, 2016 and 2015, respectively. On June 3, 2020, the then outstanding principal balance under the note, together with all accrued and unpaid interest thereon, is due and payable in full. There is a minimum liquidity requirement which specifies that the ratio of unrestricted and unencumbered liquid marketable securities to total outstanding bank debt shall not fall below 1.0:1.0. Additionally, the Federation may not pledge assets without the financial institution's consent. Management believes the Federation was in compliance with all covenants as of June 30, 2016 and 2015. Interest expense under the note for the years ended June 30, 2016 and 2015 was approximately \$105,000.

Principal payments on the note payable for the years subsequent to June 30, 2016 are as follows:

	2017	\$ 750,000
	2018	750,000
	2019	750,000
	2020	4,500,000
		<b>\$ 6,750,000</b>

**10. TRUST ASSETS HELD ON BEHALF OF AGENCIES**

The Federation entered into an agreement with certain beneficiary agencies to hold assets of the agencies in the general investment accounts of the Federation and to provide the agencies with an annual return on these assets. All monies held at the Federation are recorded at their fair market values.

The agencies can request the release of these funds at any time. Accordingly, these amounts have been recorded as a liability of the Federation. It is the agencies' intention to not invade the corpus of these funds unless needed to fund operations and to only use the income generated for annual operating or program costs.

The Federation held the following amounts on behalf of beneficiary agencies at June 30:

	2016	2015
Rose & Jack Orloff Central Agency for Jewish Education	\$ 1,225,936	\$ 1,321,096
David Posnack Jewish Community Center	1,626,535	1,763,715
Friends of the March of the Living	2,082,012	1,883,057
Jewish Adoption and Foster Care Options	1,857,565	1,387,468
Leo Martin Friends of the March of the Living	550,047	573,055
Temple Bat Yam	582,506	605,031
Daniel Cantor Senior Center	209,287	262,308
Jewish Family Service	62,759	63,359
Brauser Maimonides Academy	50,934	50,384
Hebrew Free Loan Association	25,366	25,013
Temple Beth El	18,708	18,668
	<b>\$ 8,291,655</b>	<b>\$ 7,953,154</b>

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NOTES TO FINANCIAL STATEMENTS  
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**11. RELATED PARTY CONTRIBUTION**

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The Federation sponsors South Broward Jewish Federation Housing, Inc., d/b/a Federation Plaza, a not-for-profit organization, which owned and operated a residential apartment complex for the elderly, regulated by the U.S. Department of Housing and Urban Development (“HUD”). Federation Plaza sold their HUD housing building on April 19, 2016. The net proceeds from the sale of \$7,242,491 were contributed the Federation. The funds received from Federation Plaza have been reported in the Statements of Activities as “Contributions from related party”. The funds are unrestricted funds and therefore, were designated by the Board of Directors as “Board-designated endowment funds”. On February 24, 2015, the Federation’s Board of Directors approved a motion to create a Special Purpose Fund with the net proceeds from the sale to be used for senior services in the name of Joseph Meyerhoff. The funds will be subjected to the Federation’s spending policy (NOTE 15).

**12. EMPLOYEE BENEFIT PLAN**

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The Federation provides retirement benefits to its employees through a 401(k) plan covering all full-time employees with one year of eligible experience. The Federation contributes 3% of gross wages. Contributions to the 401(k) plan during the years ended June 30, 2016 and 2015 were approximately \$43,000 and \$41,000, respectively. Additionally, on May 15, 2007, the Federation established a 403(b) plan. All employees eligible under the 401(k) plan are eligible to participate. Contributions to the 403(b) plan during the year ended June 30, 2015 was approximately \$11,000. There were no contributions to the 403(b) plan during the year ended June 30, 2016 as the plan was terminated.

**13. TEMPORARILY RESTRICTED NET ASSETS**

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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 for specific programs or purposes.

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

	<b>2016</b>	<b>2015</b>
Special purpose funds and appreciation of endowment funds not appropriated	\$ 4,202,604	\$ 5,404,038
Split-interest agreements	1,328,829	1,371,316
Other	271,091	759,162
	<b>\$ 5,802,524</b>	<b>\$ 7,534,516</b>

**14. PERMANENTLY RESTRICTED NET ASSETS**

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Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support various designated purposes and is included in temporarily restricted net assets until spent. During the year ended June 30, 2016, a donor changed the classification of their gift to support a special purpose endowment fund. The reclassification is reflected in the Statement of Activities as “Net assets released from restrictions and reclassifications.”

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

	<b>2016</b>	<b>2015</b>
Special purpose funds	\$ 25,035,003	\$ 23,287,161
Lion of Judah endowment funds	605,843	605,843
Annual contribution endowment funds	265,829	279,961
Other	468,660	458,261
	<b>\$ 26,375,335</b>	<b>\$ 24,631,226</b>

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**15. ENDOWMENT**

The Federation's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds, trusts held by others, and funds designated by the Federation to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Federation 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 Assets at June 30, 2016:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (168,277)	\$ 4,202,604	\$ 26,375,335	\$ 30,409,662
Board-designated endowment funds	32,569,747	-	-	32,569,747
Philanthropic and annual campaign endowment funds	16,325,649	-	-	16,325,649
Total endowment net assets	<b><u>\$ 48,727,119</u></b>	<b><u>\$ 4,202,604</u></b>	<b><u>\$ 26,375,335</u></b>	<b><u>\$ 79,305,058</u></b>

**Summary of Endowment Assets at June 30, 2015:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,404,038	\$ 24,631,226	\$ 30,035,264
Board-designated endowment funds	25,608,227	-	-	25,608,227
Philanthropic and annual campaign endowment funds	15,507,410	-	-	15,507,410
Total endowment net assets	<b><u>\$ 41,115,637</u></b>	<b><u>\$ 5,404,038</u></b>	<b><u>\$ 24,631,226</u></b>	<b><u>\$ 71,150,901</u></b>

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NOTES TO FINANCIAL STATEMENTS  
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**15. ENDOWMENT (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>
Endowment net assets, beginning	\$ 41,115,637	\$ 5,404,038	\$ 24,631,226	\$ 71,150,901
Interest and dividends	4,320,841	64,392	-	4,385,233
Net investment loss	(3,566,043)	-	-	(3,566,043)
Contributions	8,767,010	4,292	1,529,139	10,300,441
Released from restriction, expenditures and transfers	(1,910,326)	(1,270,118)	214,970	(2,965,474)
Endowment net assets, ending	<u>\$ 48,727,119</u>	<u>\$ 4,202,604</u>	<u>\$ 26,375,335</u>	<u>\$ 79,305,058</u>

**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>
Endowment net assets, beginning	\$ 43,224,668	\$ 5,564,841	\$ 24,184,704	\$ 72,974,213
Interest and dividends	2,411,820	908,545	-	3,320,365
Net investment loss	(1,736,896)	-	-	(1,736,896)
Contributions	624,148	12,890	446,522	1,083,560
Released from restriction, expenditures and transfers	(3,408,103)	(1,082,238)	-	(4,490,341)
Endowment net assets, ending	<u>\$ 41,115,637</u>	<u>\$ 5,404,038</u>	<u>\$ 24,631,226</u>	<u>\$ 71,150,901</u>

**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	<u>\$ 26,375,335</u>	<u>\$ 24,631,226</u>

**Summary of Endowment Assets:**

Endowment assets as of June 30 are invested as follows:

	<u>2016</u>	<u>2015</u>
Investments	\$ 79,133,330	\$ 71,024,683
Due from estates, trusts and other	171,728	126,218
	<u>\$ 79,305,058</u>	<u>\$ 71,150,901</u>

**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. In accordance with U.S. GAAP, deficiencies of this nature that existed at June 30, 2016 was approximately \$168,000. These deficiencies resulted from unfavorable market fluctuations and continued appropriations for certain programs that were deemed prudent by the Federation. There were no such deficiencies for the year ended June 30, 2015. At June 30, 2016 and 2015, the fair market value of permanently restricted investments was approximately \$26,375,000 and \$24,631,000, respectively.

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.  
D/B/A JEWISH FEDERATION OF BROWARD COUNTY**

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NOTES TO FINANCIAL STATEMENTS  
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**15. ENDOWMENT (CONTINUED)**

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**Return Objectives and Risk Parameters**

The Federation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Federation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Federation, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Federation expects its endowment funds, over time, to provide a rate of return in excess of the original permanently restricted principal. Actual returns in any given year may vary.

The Federation invests the endowment funds in its investment pool. Each year, the Federation credits the endowment funds based on a portfolio performance based structure, with the exception of certain Special Purpose Funds that will continue to receive 5% based on contractual obligations, and Annual Campaign Endowments (ACE) and Lion of Judah Endowments (LOJE) funds which will continue to receive 5%.

**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 through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Federation targets a diversified asset allocation that places emphasis on investments in equities and mutual funds to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

On Federation-held investments, the Federation employs a total return endowment spending policy that establishes the amount of endowment investment return that is available to support current needs and restricted purposes. The Federation has an endowment variable spending policy of up to 6.5% which provides for steady growth in annual spending. Any income earned in excess of the spending limit is reinvested while funds may be withdrawn from investment return earned in prior years if income is less than the spending policy provision. This is designed to insulate investment policy from budgetary pressures, and to insulate program spending from fluctuation in capital markets.

**16. COMMITMENT AND CONTINGENCIES**

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**Litigation**

The Federation may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Federation's financial statements or results of operations.