

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

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

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INDEPENDENT AUDITOR'S REPORT

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, which comprise the statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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.

Monison, Brown, Aziz & Tena

Fort Lauderdale, Florida
December 12, 2019

An independent member of Baker Tilly International

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

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	2019	2018
Cash and cash equivalents	\$ 1,094,924	\$ 600,678
Pledges receivable, net	1,900,119	1,877,814
Due from estates, trusts, and other receivables	263,413	229,808
Investments	117,939,327	118,913,100
Trust assets managed by others	1,839,206	1,935,913
Other assets	34,454	24,791
Property and equipment, net	<u>12,293,043</u>	<u>12,507,420</u>
TOTAL ASSETS	<u>\$ 135,364,486</u>	<u>\$ 136,089,524</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,055,687	\$ 790,036
Line of credit	387,425	1,336,865
Allocations payable	3,415,932	3,297,697
Note payable	4,500,000	5,250,000
Trust assets held on behalf of agencies	10,819,929	11,935,882
Split-interest agreements	2,558,076	2,586,803
Agency funds	<u>167,330</u>	<u>179,796</u>
TOTAL LIABILITIES	<u>22,904,379</u>	<u>25,377,079</u>
NET ASSETS		
Without donor restrictions (including \$39,856,716 at 2019 and \$40,736,150 at 2018 of Board designated endowment funds)	63,822,225	64,606,072
With donor restrictions	<u>48,637,882</u>	<u>46,106,373</u>
TOTAL NET ASSETS	<u>112,460,107</u>	<u>110,712,445</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 135,364,486</u>	<u>\$ 136,089,524</u>

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,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Campaign contributions, net	\$ 3,253,508	\$ 1,341,600	\$ 4,595,108	\$ 3,451,917	\$ 479,506	\$ 3,931,423
Planned giving, other contributions and change in split-interest agreements	3,314,346	825,854	4,140,200	7,218,451	101,656	7,320,107
Program income	1,439,483	-	1,439,483	732,820	-	732,820
Other income including in-kind rental income	1,396,666	-	1,396,666	1,214,041	-	1,214,041
Loss from change in estimate on contribution	-	-	-	-	(284,000)	(284,000)
Net assets released from restrictions	3,322,101	(3,322,101)	-	1,842,265	(1,842,265)	-
TOTAL REVENUE AND SUPPORT BEFORE INVESTMENT INCOME	12,726,104	(1,154,647)	11,571,457	14,459,494	(1,545,103)	12,914,391
Investment income, net (NOTE 6)	2,917,766	2,225,744	5,143,510	5,111,313	2,967,435	8,078,748
TOTAL REVENUE AND SUPPORT	15,643,870	1,071,097	16,714,967	19,570,807	1,422,332	20,993,139
ALLOCATIONS AND EXPENSES						
ALLOCATIONS						
Allocations to Jewish Federations of North America	681,975	-	681,975	594,232	-	594,232
Allocations made by Jewish Community Foundation	5,624,575	-	5,624,575	5,831,301	-	5,831,301
Allocations to local, state and national agencies including in-kind expense (of approximately \$1,004,000 and \$970,000 for 2019 and 2018, respectively)	4,018,990	-	4,018,990	3,389,100	-	3,389,100
TOTAL ALLOCATIONS	10,325,540	-	10,325,540	9,814,633	-	9,814,633
EXPENSES						
Program services	3,267,468	-	3,267,468	1,826,849	-	1,826,849
Fundraising	1,448,646	-	1,448,646	987,880	-	987,880
Management and general	1,386,063	-	1,386,063	1,381,925	-	1,381,925
TOTAL EXPENSES	6,102,177	-	6,102,177	4,196,654	-	4,196,654
TOTAL ALLOCATIONS AND EXPENSES	16,427,717	-	16,427,717	14,011,287	-	14,011,287
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO THE ACQUISITION OF THE ROSE AND JACK ORLOFF CENTRAL AGENCY FOR JEWISH EDUCATION OF BROWARD COUNTY, INC.	(783,847)	1,071,097	287,250	5,559,520	1,422,332	6,981,852
Excess of assets acquired over liabilities assumed in acquisition of the Rose and Jack Orloff Central Agency for Jewish Education of Broward County, Inc. (NOTE 1)	-	1,460,412	1,460,412	-	-	-
CHANGE IN NET ASSETS	(783,847)	2,531,509	1,747,662	5,559,520	1,422,332	6,981,852
NET ASSETS AT BEGINNING OF YEAR	64,606,072	46,106,373	110,712,445	59,046,552	44,684,041	103,730,593
NET ASSETS AT END OF YEAR	\$ 63,822,225	\$ 48,637,882	\$ 112,460,107	\$ 64,606,072	\$ 46,106,373	\$ 110,712,445

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,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,747,662	\$ 6,981,852
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	537,769	661,163
Net realized and unrealized gain on investments	(3,018,879)	(6,140,734)
Endowment contributions	(478,795)	(40,900)
Bad debt expense	231,482	135,580
Change in split-interest agreements	142,844	(46,327)
Excess of assets acquired over liabilities assumed in acquisition of agency	(1,460,412)	-
(Increase) decrease in assets:		
Pledges receivable	(253,787)	(548,691)
Due from estates, trusts, and other receivables	16,395	791,361
Trust assets managed by others	96,707	208,823
Other assets	(9,663)	8,644
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	265,651	233,699
Allocations payable	118,235	49,805
Agency funds	(12,466)	4,383
TOTAL ADJUSTMENTS	(3,824,919)	(4,683,194)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(2,077,257)	2,298,658
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash transferred in from acquisition	292,521	-
Purchases of property and equipment	(323,392)	(54,345)
Proceeds from sale of investments	63,035,736	41,988,686
Purchases of investments	(57,875,193)	(46,850,554)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	5,129,672	(4,916,213)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment contributions	428,795	2,646,288
Payments on split-interest obligations	(171,571)	(164,076)
Trust assets held on behalf of agencies	(1,115,953)	1,170,339
Repayments on line of credit	(7,224,456)	(5,137,207)
Proceeds from line of credit	6,275,016	5,214,955
Payments on note payable	(750,000)	(750,000)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(2,558,169)	2,980,299
NET INCREASE IN CASH AND CASH EQUIVALENTS	494,246	362,744
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	600,678	237,934
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,094,924	\$ 600,678
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 161,136	\$ 133,964

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, 2019

	Supporting Services			Program Services	Total
	Fundraising	Management and General	Total Supporting Services	Total Program Services	
Salaries	\$ 951,799	\$ 712,390	\$ 1,664,189	\$ 1,606,163	\$ 3,270,352
Payroll taxes	71,468	76,804	148,272	74,292	222,564
Employee health and other benefits	57,367	89,486	146,853	111,639	258,492
Total salaries and related expenses	1,080,634	878,680	1,959,314	1,792,094	3,751,408
Advertising	42,150	4,322	46,472	10,808	57,280
Auto/transportation	13,830	9,116	22,946	4,379	27,325
Bank charges and credit card fees	52,944	10,520	63,464	-	63,464
Community activities	-	-	-	629,433	629,433
Conferences	25,995	11,141	37,136	-	37,136
Consulting	14,302	40,452	54,754	17,076	71,830
Depreciation	5,133	96,965	102,098	11,978	114,076
Local meetings	20,392	12,142	32,534	9,998	42,532
Insurance	-	59,045	59,045	6,561	65,606
Interest	-	20,345	20,345	-	20,345
March of the Living	-	-	-	598,556	598,556
Occupancy	103,394	88,291	191,685	117,919	309,604
Office service and equipment contracts	21,752	38,012	59,764	24,664	84,428
Office supplies and other	23,227	25,660	48,887	16,022	64,909
Postage	5,120	10,158	15,278	1,359	16,637
Printing	23,597	2,652	26,249	2,808	29,057
Professional fees	395	66,149	66,544	11,660	78,204
Telephone	15,531	10,893	26,424	8,078	34,502
Other	250	1,520	1,770	4,075	5,845
Total functional expenses	\$ 1,448,646	\$ 1,386,063	\$ 2,834,709	\$ 3,267,468	\$ 6,102,177

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, 2018

	Supporting Services			Program Services	Total
	Fundraising	Management and General	Total	Total Program Services	
			Supporting Services		
Salaries	\$ 613,171	\$ 825,157	\$ 1,438,328	\$ 911,666	\$ 2,349,994
Payroll taxes	43,818	59,243	103,061	58,476	161,537
Employee health and other benefits	64,924	86,233	151,157	78,636	229,793
Total salaries and related expenses	721,913	970,633	1,692,546	1,048,778	2,741,324
Advertising	723	812	1,535	3,462	4,997
Auto/transportation	7,680	9,057	16,737	4,740	21,477
Bank charges and credit card fees	47,098	6,486	53,584	-	53,584
Community activities	-	-	-	569,561	569,561
Conferences	18,595	4,549	23,144	-	23,144
Consulting	19,497	25,299	44,796	22,063	66,859
Depreciation	5,323	99,185	104,508	12,060	116,568
Local meetings	17,772	8,675	26,447	7,912	34,359
Insurance	-	46,600	46,600	5,178	51,778
Interest	-	22,620	22,620	-	22,620
Occupancy	87,338	78,820	166,158	102,026	268,184
Office service and equipment contracts	10,202	15,993	26,195	13,385	39,580
Office supplies and other	13,349	18,157	31,506	10,666	42,172
Postage	2,848	9,081	11,929	1,415	13,344
Printing	21,004	1,896	22,900	1,706	24,606
Professional fees	2,901	52,861	55,762	16,659	72,421
Telephone	11,531	9,723	21,254	3,734	24,988
Other	106	1,478	1,584	3,504	5,088
Total functional expenses	\$ 987,880	\$ 1,381,925	\$ 2,369,805	\$ 1,826,849	\$ 4,196,654

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**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and overseas.

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:

Net Assets without Donor Restrictions

Net assets which are free of donor-imposed restrictions; all revenues, gains, and losses that are not changes in net assets with donor restrictions.

Net Assets without Donor Restrictions - Board Designated

The part of net assets without donor restrictions 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.

Net Assets with Donor Restrictions

Net assets that are subject to explicit donor-imposed restrictions such as time and/or purpose restrictions. Some donor restrictions are temporary in nature, those restrictions will be met by actions of the Federation or by the passage of time. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently while permitting the Federation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or the Board approved spending policy. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

Merger with Rose and Jack Orloff Central Agency for Jewish Education of Broward County, Inc.

Effective July 1, 2018, the Rose and Jack Orloff Central Agency for Jewish Education of Broward County, Inc. ("CAJE") merged with the Federation. The fair value of CAJE's net assets at the acquisition date were \$1,460,412. The merger and development of the "Orloff Department of Education and Engagement" is a part of the Federation's strategic plan. The department will be responsible for Jewish engagement, Jewish identity building and Jewish education, and for linking these to the development of leaders, donors and fundable projects. The transaction was treated as an acquisition in accordance with U.S. GAAP and the Federation is the surviving corporation while CAJE will cease to exist.

The net assets received from CAJE are net assets with donor restrictions. It was determined that net assets are with donor restrictions as the donor's original intent was for Jewish education and engagement.

The fair values of CAJE's assets at the acquisition date are as follows:

Cash	\$ 292,521
Investments	<u>1,167,891</u>
Total assets	<u>\$ 1,460,412</u>
Net assets with donor restrictions	<u>\$ 1,460,412</u>

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

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. Money market funds which are included within investments are not included within cash and cash equivalents.

Restricted Cash

The Federation maintains restricted cash received from donors to be used for Israel teen trips and the March of the Living. The Federation expects to use these funds over time. Restricted cash totaled \$332,905 and \$139,749 as of June 30, 2019 and 2018, respectively.

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.

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 JCC's and DPJDS' 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 JCC's and DPJDS' 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, 2019 and 2018 totaled approximately \$595,000 and \$693,000, respectively. Additionally, in-kind rental income and expense for donated facilities totaled approximately \$1,004,000 and \$970,000 for the years ended June 30, 2019 and 2018, 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 net assets with donor restrictions depending on the nature of the restrictions.

When a restriction expires, net assets with donor restrictions are transferred or released to net assets without donor restrictions. The Federation accounts for donor-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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Contributions (Continued)

Funds received by the Federation for its general purposes are classified as without donor restrictions; all others are considered with donor restrictions.

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, charitable lead trusts, and charitable gift annuities. 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."

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 approximately \$62,000 and \$149,000 for the years ended June 30, 2019 and 2018, 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 \$1,334,000 and \$1,495,000 at June 30, 2019 and 2018, respectively. Additionally, certain assets are reflected as "Trust assets managed by others" and totaled approximately \$1,839,000 and \$1,936,000 at June 30, 2019 and 2018, respectively. The liabilities of the split-interest agreements, included in the accompanying Statements of Financial Position, totaled approximately \$2,558,000 and \$2,587,000 at June 30, 2019 and 2018, 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. Expenses that can be directly identified with the program or supporting service are reported as expenses of those functional areas. Personnel and all other expenses are allocated among program and supporting services based on estimated time and effort.

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 and interest and dividends 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 net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Investments (Continued)

As of June 30, 2019 and 2018, 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 \$5,000 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.

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. Material estimates that are particularly susceptible to change include the fair value of investments, the allowance for uncollectible pledges, mortalities associated with split interest agreement liabilities, the functional allocation of expenses, and obligations for allocations payable.

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 2016.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Adopted Accounting Pronouncement

Presentation of Financial Statements of Not-for-Profit Entities

During the year ended June 30, 2019, the Federation adopted Accounting Standards Update 2016-14, Not for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method. The Federation has applied the update retrospectively to all periods presented and adjusted the presentation of these financial statements accordingly. As a result, the Federation has reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions, as well as, temporarily restricted and permanently restricted net assets to net assets with donor restrictions. The adoption of this update has no other material effect on the Federation’s financial position and changes in net assets. In addition, the Federation has elected to continue to present the Statements of Cash Flows using the indirect method and continues to include separate Statements of Functional Expenses in its financial statements.

Recent Accounting Pronouncements

Revenue From Contracts With Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The Federation is currently evaluating the effect the update will have on its 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. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections. The Federation is currently evaluating the effect the update will have on its financial statements.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Federation’s presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. The Federation is evaluating the method of adoption it will elect. The update is originally effective 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 effective dates have tentatively been extended to fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Recent Accounting Pronouncements (Continued)

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.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Federation is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation.

Subsequent Events

The Federation has evaluated subsequent events through December 12, 2019, which is the date the financial statements were available to be issued.

2. CONCENTRATION OF RISK

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.

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2. CONCENTRATION OF RISK (CONTINUED)

Investments (Continued)

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. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Federation maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. The Federation considers all expenditures related to its ongoing activities to accomplish its mission as well as the conduct of services undertaken to support those activities to be general expenditures. Board designated reserves (\$39,856,716 as of June 30, 2019) can be released upon resolution of the board and used for general expenditures. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Federation holds cash in various interest-bearing bank accounts with well-known financial institutions. In addition, the Federation has a \$1,500,000 line of credit available to meet cash flow needs.

The Federation engages qualified third-party investment advisors to invest excess cash net of working capital in instruments as stipulated under the Investment policy. The policy is reviewed annually by the Investment Committee. Market performance is monitored continuously including review of performance reports at quarterly meetings. Furthermore, the Finance Committee, Executive Committee as well as the Board of Directors review the Statements of Financial Position, Statements of Activities, and other financial reports on a regular basis.

The Federation's financial assets available within one year of the Statements of Financial Position date for general expenditures as of June 30, 2019 are as follows:

Cash and cash equivalents	\$	1,094,924
Pledges receivable, net		1,900,119
Due from estates, trusts, and other receivables		263,413
Investments		117,939,327
Trust assets managed by others		1,839,206
Total financial assets		123,036,989
Less amounts not available to be used within one year or without board approval:		
Restricted cash		332,905
Donor advised philanthropic funds and supporting organizations		10,883,365
Obligations to affiliated agencies for assets held in trust		10,819,929
Time restrictions greater than one year		375,095
Endowed in perpetuity		35,741,428
Board designated endowment		39,856,716
Split-interest agreements - investments		3,272,215
Trust assets managed by others		1,839,206
Due from estates, trusts, and other receivables		68,492
Total financial assets not available to be used for general expenditures within one year		103,189,351
Total financial assets available to management for general expenditures within one year	\$	19,847,638

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JUNE 30, 2019 AND 2018

4. PLEDGES RECEIVABLE, NET

Pledges receivable, net consists of annual campaign pledges as well as PJ Library Endowment pledges. Pledges receivable pertaining to the general campaign represents commitments from donors to fund the ongoing operations of the Federation. Pledges receivable are reported as assets at their net realizable value.

Pledges receivable are as follows at June 30,:

	2019	2018
Gross pledges receivable	\$ 3,197,571	\$ 2,922,681
Less: allowance for estimated uncollectible pledges	(1,286,657)	(1,044,867)
Less: discount on long-term pledges	(10,795)	-
	\$ 1,900,119	\$ 1,877,814

Pledges receivable with payment terms in excess of one year have been discounted using a market rate of interest (approximately 3.40% as of June 30, 2019) to reflect their estimated present value. Pledges receivable are unsecured and are primarily from South Florida residents.

Payments due on pledges receivable as of June 30, 2019 are as follows:

<u>Years Ending June 30,</u>					
2020			\$	2,961,681	
2021				146,070	
2022				85,820	
2023				2,000	
2024				2,000	
				3,197,571	\$

Bad debt expense on current year pledges totaled approximately \$231,000 and \$136,000 for the years ended June 30, 2019 and 2018, respectively, and are netted against campaign contributions in the Statements of Activities.

5. DUE FROM ESTATES, TRUSTS, AND OTHER RECEIVABLES

During the years ended June 30, 2019 and 2018, the Federation was notified that it was named as a beneficiary in various Estates and Trusts. For the years ended June 30, 2019 and 2018, the Federation estimates that the value of its interest in these Estates and Trusts is approximately \$118,000 and \$140,000, respectively, and is included in the caption "Due from estates, trusts, and other receivables" in the Statements of Financial Position. During 2018 amounts received from estates were less than estimates made at June 30, 2017. Therefore, the Federation recognized a loss for an amount of \$284,000 for the year ended June 30, 2018. The loss is netted against "Planned giving, other contributions and change in split-interest agreements" in the Statements of Activities.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

6. INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 3,927,120	\$ 4,308,660
Equity securities	869,139	1,422,762
Bonds	1,267,841	2,534,451
Mutual funds	96,794,335	96,781,254
State of Israel bonds	3,910,216	3,855,216
Alternative investments	11,170,676	10,010,757
Total investments	<u>\$117,939,327</u>	<u>\$ 118,913,100</u>

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

	<u>2019</u>	<u>2018</u>
Interest and dividends (net of fees)	2,124,631	\$ 1,938,014
Net realized gain	6,042,042	6,000,449
Net unrealized (loss) gain	(3,023,163)	140,285
	<u>\$ 5,143,510</u>	<u>\$ 8,078,748</u>

Interest and dividends is shown net of investment management fees of approximately \$485,000 and \$440,000 for the years ended June 30, 2019 and 2018, respectively. Certain investments have been invested on behalf of affiliated agencies (NOTE 11). These investments are reflected as "Investments" and "Trust assets held on behalf of agencies" in the Statements of Financial Position. As of June 30, 2019 and 2018, total investments of \$10,819,929 and \$11,935,882, 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.

7. FAIR VALUE MEASUREMENTS

The FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, 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.

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7. FAIR VALUE MEASUREMENTS (CONTINUED)

- 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, 2019 and 2018.

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.

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 strategies are valued by the underlying investments of the funds and are valued at fair value on a monthly basis by the investment managers. Certain funds are redeemable at their net asset value ("NAV") per share on a monthly basis. The fair value of the investments is a publicly quoted pricing input used in determining the NAV of the alternative strategies, which is not publicly quoted. The Federation considers the length of time until the investment is redeemable, including notice and lock up periods or any other restriction on the disposition of the investment. The Federation also considers the nature of the portfolios of the underlying investments and their ability to liquidate their underlying investments. The NAV per share is used as a practical expedient to estimate the fair value of the alternative strategies as long as certain requirements are met.

Fair value of shares of underlying alternative strategies equals the number of shares of the respective underlying investments multiplied by the closing NAV per share quoted by that investment and held by the Federation at year end.

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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7. 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, 2019 and 2018 for each of the fair value hierarchy levels:

Fair Value Measurements at June 30, 2019				
Description	Fair Value	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 funds	\$ 3,927,120	\$ 3,927,120	\$ -	\$ -
Equity securities	869,139	869,139	-	-
Bonds	1,267,841	1,267,841	-	-
Mutual funds	96,794,335	96,794,335	-	-
State of Israel bonds	3,910,216	-	3,910,216	-
Total assets in the fair value hierarchy	106,768,651	102,858,435	3,910,216	-
Investments measured at net asset value *	11,170,676	-	-	-
	\$117,939,327	\$ 102,858,435	\$ 3,910,216	\$ -
Fair Value Measurements at June 30, 2018				
Description	Fair Value	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 funds	\$ 4,308,660	\$ 4,308,660	\$ -	\$ -
Equity securities	1,422,762	1,422,762	-	-
Bonds	2,534,451	2,534,451	-	-
Mutual funds	96,781,254	96,781,254	-	-
State of Israel bonds	3,855,216	-	3,855,216	-
Total assets in the fair value hierarchy	108,902,343	105,047,127	3,855,216	-
Investments measured at net asset value *	10,010,757	-	-	-
	\$118,913,100	\$ 105,047,127	\$ 3,855,216	\$ -

(*) In accordance with Subtopic 820-10, certain investments that are measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy.

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7. FAIR VALUE MEASUREMENTS (CONTINUED)

Net Asset Value per Share

Alternative strategies include investments in limited partnerships where the Federation has the right to withdraw its investments at least quarterly, or annually after the expiration of “lock-up” periods of one to three years pursuant to the respective offering memorandums. The underlying investments of the funds are valued at fair value on a quarterly basis by the partnerships for which fair value is measured using the NAV per share practical expedient. Also included in Alternative strategies are investments in offshore funds that include investments in hedge funds. As part of the Alternative strategies investment structure, initial capital call commitments are required.

	<u>Fair Value as of 6/30/2019</u>	<u>Fair Value as of 6/30/2018</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
SEI Core Property Fund, LP (a)	\$ 7,401,351	\$ 6,891,871	\$ -	Quarterly	95 days
SEI Structured Credit Master Fund (b)	2,665,157	2,531,793	-	Quarterly	65 days
SEI Gap IV Private Equity Fund (c)	828,102	320,597	3,067,473	None	N/A
UBS PACE Fund (d)	<u>276,066</u>	<u>266,496</u>	<u>-</u>	Not available	90 days
Total	<u>\$ 11,170,676</u>	<u>\$ 10,010,757</u>	<u>\$ 3,067,473</u>		

The following is a summary of the investment strategies of the investments valued using the NAV per share practical expedient:

- (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 investment strategy is to offer exposure to a diversified pool of global private assets fund investments. Further, the fund will seek to shorten the duration of the typical private assets fund of funds through a dedicated focus on secondaries strategies (i.e. funds whose investment strategy is to purchase interests in other private market investments/funds as a way to provide the original investors liquidity prior to the end of those investments’/funds’ contracted end date) and income-producing investment strategies (e.g. debt, real estate, and to a lesser extent, real assets).
- (d) 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.

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8. PROPERTY AND EQUIPMENT, NET

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

	2019	2018
Land and improvements	\$ 5,194,519	\$ 5,194,519
Buildings and equipment	21,043,157	20,969,765
Furniture and equipment	149,933	149,933
Construction in process	250,000	-
	26,637,609	26,314,217
Less accumulated depreciation	(14,344,566)	(13,806,797)
	\$ 12,293,043	\$ 12,507,420

Total depreciation expense for the years ended June 30, 2019 and 2018 was approximately \$538,000 and \$661,000, respectively. Depreciation expense related to the buildings and equipment at the JCC and the DPJDS was approximately \$424,000 and \$544,000 for the years ended June 30, 2019 and 2018, respectively, 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 \$114,000 and \$117,000 is included under the caption "Depreciation" in the accompanying Statements of Functional Expenses for the years ended June 30, 2019 and 2018, respectively.

9. 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 was set to expire on November 28, 2019. On November 28, 2019, the line was extended for three additional months to February 26, 2020. At June 30, 2019 and 2018, the amount due on the line was \$387,425 and \$1,336,865, respectively. Interest is payable at the 1-month LIBOR rate plus 100 basis points and was 3.40% and 3.10% as of June 30, 2019 and 2018, respectively. Interest expense under the line of credit for the years ended June 30, 2019 and 2018 was approximately \$20,000 and \$23,000, respectively.

10. NOTE PAYABLE

In June 2013, the Federation entered into a long-term loan in the amount of \$9,000,000 from a financial institution. 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 3.58% and 3.15% as of June 30, 2019 and 2018, 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, 2019 and 2018. Interest expense under the note for the years ended June 30, 2019 and 2018 was approximately \$172,000 and \$148,000, respectively. Principal payments on the note payable for the year ending June 30, 2020 are \$4,500,000. The balance as of June 30, 2019 and 2018 was \$4,500,000 and \$5,250,000, respectively.

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11. 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,:

	<u>2019</u>	<u>2018</u>
Friends of the March of the Living	\$ 2,166,642	\$ 2,358,327
Jewish Adoption and Foster Care Options	2,444,480	2,337,996
Jewish Family Service	2,345,515	2,320,708
David Posnack Jewish Community Center	1,646,214	1,695,815
Rose & Jack Orloff Central Agency for Jewish Education	-	1,177,529
Leo Martin Friends of the March of the Living	889,633	896,890
Temple Bat Yam	749,306	722,166
Daniel Cantor Senior Center	236,582	225,503
SNCF March of the Living Endowment Fund	-	99,100
Brauser Maimonides Academy	54,291	52,296
March of the Living Affordability Fund	-	27,263
Temple Beth El	23,810	22,289
Etz Chaim	263,456	-
	<u>\$10,819,929</u>	<u>\$ 11,935,882</u>

12. EMPLOYEE BENEFIT PLAN

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 up to 3% of gross wages. Contributions to the 401(k) plan during the years ended June 30, 2019 and 2018 were approximately \$70,000 and \$69,000, respectively.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted based on time and purpose restrictions or are restricted to investments in perpetuity, the income from which is expendable to support various designated purposes and is included in net assets with donor restrictions until spent. 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.

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13. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions consist of the following at June 30,:

	2019	2018
Special purpose funds and appreciation of endowment funds not appropriated	\$ 44,227,205	\$ 42,040,131
Split-interest agreements and trust assets managed by others	2,216,125	2,375,630
Other	1,347,365	843,612
Lion of Judah endowment funds	580,370	580,370
Annual contribution endowment funds	266,817	266,630
	\$ 48,637,882	\$ 46,106,373

14. 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 net assets with donor restrictions (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. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by the FUPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

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, 2019 and 2018, 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.

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14. ENDOWMENT (CONTINUED)

Summary of Endowment Assets at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 45,074,393	\$ 45,074,393
Board designated endowment funds	39,856,716	-	39,856,716
Philanthropic and annual campaign endowment funds	20,854,418	-	20,854,418
Total endowment net assets	\$ 60,711,134	\$ 45,074,393	\$ 105,785,527

Summary of Endowment Assets at June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 42,883,287	\$ 42,883,287
Board designated endowment funds	40,736,150	-	40,736,150
Philanthropic and annual campaign endowment funds	20,128,601	-	20,128,601
Total endowment net assets	\$ 60,864,751	\$ 42,883,287	\$ 103,748,038

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 60,864,751	\$ 42,883,287	\$ 103,748,038
Interest and dividends	1,129,636	896,028	2,025,664
Net investment income	1,161,638	1,329,716	2,491,354
Contributions	2,883,038	1,955,345	4,838,383
Released from restriction, expenditures and transfers	(5,327,929)	(1,989,983)	(7,317,912)
Endowment net assets, ending	\$ 60,711,134	\$ 45,074,393	\$ 105,785,527

Changes in endowment net assets for the year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 52,322,964	\$ 41,696,115	\$ 94,019,079
Interest and dividends	1,580,440	178,046	1,758,486
Net investment income	2,456,374	2,789,389	5,245,763
Contributions	6,120,135	62,384	6,182,519
Released from restriction, expenditures and transfers	(1,615,162)	(1,842,647)	(3,457,809)
Endowment net assets, ending	\$ 60,864,751	\$ 42,883,287	\$ 103,748,038

Permanent Endowment:

	2019	2018
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by FUPMIFA	\$ 35,741,428	\$ 35,258,789

**THE UNITED JEWISH COMMUNITY OF BROWARD COUNTY, INC.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

14. ENDOWMENT (CONTINUED)

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 are reported in net assets with donor restrictions and amounted to approximately \$3,000 and \$4,000 at June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriations for certain programs that were deemed prudent by the Federation. At June 30, 2019 and 2018, the fair market value of these donor restricted endowment funds was approximately \$35,741,000 and \$35,259,000, respectively.

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. 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 received 5%. In July 2018 and going forward, the Federation will credit the ACE and LOJE endowment funds based on portfolio performance.

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. In May 2017, the Board of Directors approved a strategic plan with a projected cost that may increase the spending percentage to be in excess of the 6.5% spending policy. For the years ended June 30, 2019 and 2018, the actual spending percentage was approximately 11.2% and 9.4%, respectively.

Included in the Federation's endowment as of June 30, 2019 and 2018 are donor advised funds amounting to approximately \$10,883,000 and \$10,599,000, respectively. The Federation serves as the sponsoring organization, in accordance with IRS regulations, to separately-identified donor advised fund accounts comprised of contributions made by donors and related earnings from investments. Once donors make contributions, the Federation has exclusive legal control over the funds. The donor, or the donor's named representatives, retains advisory privileges with respect to the distribution of funds and, in a limited manner, the investment of assets in the account. The Federation typically honors donors' grant recommendations for grants to 501(c)(3) public charities, in good standing with the IRS, for charitable purposes that are not in conflict with the Federation's mission, subject to the Federation's review and approval.

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15. RENTAL INCOME

In June 2018, the Federation entered into a 10-year lease agreement with Goodman Jewish Family Services of Broward County to lease space and which commenced on July 1, 2018. Additionally, in June 2018, the Federation entered into a 5-year lease agreement with Jewish Family Home Care, Inc. to lease space which commenced on July 1, 2018. The lease agreement with Jewish Family Home Care, Inc. allows them to exercise an additional 5 year option.

The following is a schedule by years of approximate future minimum rentals under there agreements at June 30, 2019:

Years ending June 30,	
2020	\$ 183,000
2021	183,000
2022	183,000
2023	183,000
2024	122,000
Thereafter	<u>489,000</u>
	<u>\$ 1,343,000</u>

16. COMMITMENTS AND CONTINGENCIES

Guarantees

The Federation guarantees a promissory note of DPJDS. On February 17, 2017, DPJDS entered into a promissory note with a financial institution to fund the construction of the new middle school building. The School could borrow up to \$4,210,000 and could draw from the note until March 1, 2019. As of June 30, 2019 and 2018, the amount outstanding on the loan was \$4,168,000 and \$4,210,000, respectively. Principal and interest is to be paid in variable monthly installments with principal payments required from April 1, 2019 through March 1, 2029. The Federation would be required to perform under the guarantee if DPJDS failed to pay principal and interest payments to the lender when due.

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.

Employment Agreement

The Federation has entered into an employment agreement with its Chief Executive Officer. The agreement is in effect through January 18, 2022. The Federation will provide certain benefits for the period set forth in the agreement, including a severance period.