

JEWISH FEDERATION
OF GREATER PITTSBURGH
Pittsburgh, Pennsylvania

Combined Financial Statements
and
Supplementary Combining Information
For the years ended June 30, 2017 and 2016
and Independent Auditors' Report Thereon



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Jewish Federation of Greater Pittsburgh
Pittsburgh, Pennsylvania

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Jewish Federation of Greater Pittsburgh and controlled supporting organizations (Federation), which comprise the combined statements of financial position as of June 30, 2017 and 2016, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' 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 Federation's preparation and fair presentation of the combined 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 Federation'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Federation as of June 30, 2017 and 2016, and the combined changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and the combining statements of activities and changes in net assets on Pages 28-31 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
December 14, 2017

JEWISH FEDERATION OF GREATER PITTSBURGH
COMBINED STATEMENTS OF FINANCIAL POSITION
(Dollars in Thousands)

	June 30	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 6,827	\$ 5,593
Restricted cash	8,273	7,289
Debt service fund cash	-	518
Investments	234,654	212,077
Campaign pledges receivable, net	4,768	4,433
Renaissance pledges receivable, net	9,728	10,535
Other receivables	1,465	2,413
Property and equipment, net	674	807
Prepays and other assets	178	290
	<u>\$ 266,567</u>	<u>\$ 243,955</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Appropriations payable	\$ 690	\$ 580
Accounts payable and other liabilities	1,846	1,664
Amounts of agency funds held	96,126	88,139
Amounts held for charitable trusts	5,665	3,878
Bonds and note payable	9,386	10,808
	<u>113,713</u>	<u>105,069</u>
NET ASSETS		
Unrestricted:		
Board-designated	11,186	10,484
Undesignated	35,622	33,373
Total Unrestricted	<u>46,808</u>	<u>43,857</u>
Temporarily restricted	59,946	53,609
Permanently restricted	46,100	41,420
	<u>152,854</u>	<u>138,886</u>
Total Net Assets	<u>\$ 266,567</u>	<u>\$ 243,955</u>
Total Liabilities And Net Assets	<u>\$ 266,567</u>	<u>\$ 243,955</u>

See notes to the combined financial statements.

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JEWISH FEDERATION OF GREATER PITTSBURGH
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Dollars in Thousands)

	June 30, 2017				June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT								
Contributions:								
Campaign contributions	\$ 13,191	-	-	\$ 13,191	\$ 11,835	-	-	\$ 11,835
Contributions to Foundation	5,325	\$ 3,298	\$ 3,739	12,362	4,985	\$ 2,894	\$ 2,396	10,275
Jewish Healthcare Foundation	900	-	-	900	900	-	-	900
Renaissance Project	-	-	-	-	-	400	-	400
Program revenue	4,087	-	-	4,087	2,324	107	-	2,431
Contributions - corporations	-	3,952	-	3,952	-	3,442	-	3,442
Campaign contributions paid from donor-advised funds	(1,714)	-	-	(1,714)	(1,947)	-	-	(1,947)
Total Public Support	21,789	7,250	3,739	32,778	18,097	6,843	2,396	27,336
REVENUE								
Dividends and interest income	2,006	5,114	-	7,120	1,105	2,805	-	3,910
Realized and unrealized appreciation (depreciation)	1,271	4,492	331	6,094	(1,431)	(1,531)	250	(2,712)
Change in value of split-interest agreements	-	(912)	610	(302)	-	(692)	714	22
Other interest income	12	-	-	12	7	-	-	7
Total Revenue	3,289	8,694	941	12,924	(319)	582	964	1,227
NET ASSETS RELEASED FROM RESTRICTIONS								
Total Public Support And Revenue	9,607	(9,607)	-	-	9,296	(9,296)	-	-
EXPENSES								
Program services	23,506	-	-	23,506	19,718	-	-	19,718
Scholarship expense	3,730	-	-	3,730	3,180	-	-	3,180
Fundraising	2,834	-	-	2,834	2,476	-	-	2,476
General and administrative	1,664	-	-	1,664	1,980	-	-	1,980
Total Expenses	31,734	-	-	31,734	27,354	-	-	27,354
Changes In Net Assets Before Other Changes In Net Assets	2,951	6,337	4,680	13,968	(280)	(1,871)	3,360	1,209
OTHER CHANGES IN NET ASSETS								
Net asset transfers	-	-	-	-	(830)	830	-	-
Divestment of Program Operations	-	-	-	-	(178)	-	-	(178)
Total Other Changes In Net Assets	-	-	-	-	(1,008)	830	-	(178)
Changes In Net Assets	2,951	6,337	4,680	13,968	(1,288)	(1,041)	3,360	1,031
NET ASSETS								
Beginning of year	43,857	53,609	41,420	138,886	45,145	54,650	38,060	137,855
End of year	\$ 46,808	\$ 59,946	\$ 46,100	\$ 152,854	\$ 43,857	\$ 53,609	\$ 41,420	\$ 138,886

See notes to the combined financial statements.

JEWISH FEDERATION OF GREATER PITTSBURGH

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

(Dollars in Thousands)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 13,968	\$ 1,031
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	158	167
Loss on refinancing of debt	219	-
Realized and unrealized investment (appreciation) depreciation	(6,094)	2,712
Change in value of split-interest arrangements	302	(22)
Contributions restricted for long-term investment	(3,739)	(2,396)
Change in reserve for doubtful pledges	(438)	403
Changes in assets and liabilities:		
Campaign pledges receivable	103	(60)
Other receivables	948	199
Prepays and other assets	(107)	(14)
Appropriations payable	110	363
Amount of agency funds held	7,987	(427)
Accounts payable and other liabilities	182	(52)
Amounts held for charitable trusts	1,787	(127)
Net Cash Provided By Operating Activities	<u>15,386</u>	<u>1,777</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(25)	(139)
Sales of investments	101,876	66,905
Purchases of investments	(118,661)	(66,101)
Net Cash (Used In) Provided By Investing Activities	<u>(16,810)</u>	<u>665</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	3,739	2,396
Payments received on Renaissance pledge receivables	860	859
Proceeds from note payable	-	268
Payments on bonds payable	(1,475)	(857)
Net Cash Provided By Financing Activities	<u>3,124</u>	<u>2,666</u>
 Net Increase In Cash And Cash Equivalents	 1,700	 5,108
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
 Beginning of year	 <u>13,400</u>	 <u>8,292</u>
End of year	<u>\$ 15,100</u>	<u>\$ 13,400</u>

	<u>2017</u>	<u>2016</u>
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows at June 30:		
Cash and cash equivalents	\$ 6,827	\$ 5,593
Restricted cash	8,273	7,289
Debt service fund cash	<u>-</u>	<u>518</u>
	<u>\$ 15,100</u>	<u>\$ 13,400</u>

SUPPLEMENTAL DISCLOSURE OF FINANCING ACTIVITIES

During 2016, the Federation refinanced bonds payable of approximately \$10,540 for a new note payable of approximately \$10,075.

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	<u>\$ 144</u>	<u>\$ 17</u>
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See notes to the combined financial statements.

JEWISH FEDERATION OF GREATER PITTSBURGH

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 1 - ORGANIZATION

Scope of the Financial Statements

Combined financial statements as of and for the years ended June 30, 2017 and 2016 reflect the activities of the Jewish Federation of Greater Pittsburgh (JFGP) and these related supporting organizations (collectively, the Federation):

- The Pittsburgh Jewish Educational Improvement Foundation (PJEIF).
- The Pittsburgh Jewish Pre-Kindergarten Educational Improvement Foundation (Pre-K).
- Four supporting foundations established by donors.

Effective July 1, 2015, approximately \$178,000 of net assets related to J-Film program were transferred to a newly formed not-for-profit organization that is not controlled by the Federation.

The educational foundations provide scholarships to students who attend Jewish day school and pre-kindergarten programs in Pennsylvania. These scholarships are provided in accordance with the Pennsylvania Educational Improvement Tax Credit and Opportunity Scholarship Tax Credit programs.

The combined financial statements also reflect the activities of the Jewish Community Foundation (Foundation), an internal department of the Federation. The Foundation manages and directs donated endowment funds, donor-advised funds, agency funds and charitable trusts to serve the objectives of the Federation and its donors.

Federation's Mission

The mission of the Jewish Federation of Greater Pittsburgh is to raise and allocate funds and build community locally, in Israel and around the world.

Funding Sources

The programs and activities of the Federation are funded by the Federation's Annual Campaign and distributions from the Federation's Foundation.

Areas of Allocation

Allocations are primarily to support:

- **Jewish human service agencies** in the Pittsburgh region. Many agencies serve clients regardless of religious affiliation.
- **Jewish community life**, including experiences that strengthen Jewish identity.
- **Jewish education**, encompassing all facets of the life-learning spectrum.
- **Overseas funding**, to support human services and Jewish community in Israel and elsewhere worldwide.

Federation Activities

The Federation is a Jewish grant-making organization in Pittsburgh, which:

- **Convenes** the diversity of stakeholders in the local Jewish community to determine areas of community need.
- **Plans** programs and other means of ensuring that Pittsburgh's Jewish community remains vibrant. Training communal leadership is a priority.
- **Distributes** funds to support agencies, programs, and other activities.
- **Evaluates** Federation-funded activities, to help ensure ongoing quality, relevance and efficiency.
- **Advocates** the needs and positions of the community, with the input it receives from the wide spectrum of its constituents.
- **Collaborates** with other Jewish communities nationally and worldwide. Federation activities frequently include work with individuals and groups outside the Jewish community, in the context of cooperation, inclusiveness and mutual benefit.

Additional information about Federation activities is available at www.jfedpgh.org.

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying combined financial statements follows:

Principles of Combination - The Federation has prepared combined financial statements, since the Federation's Board of Directors (Board) has the power to direct activities of the supporting organizations and foundations listed above through control of their boards. All inter-entity transactions and balances have been eliminated in combination.

Basis of Accounting - The combined financial statements of the Federation are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Net Assets - The Federation classifies and reports net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Federation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets over which the Federation's Board has discretionary control to use in carrying on the operations of the Federation. This includes Board-designated net assets that have been designated by the Board to provide support for activities that further the Federation's mission.

Temporarily Restricted Net Assets - Net assets that are expendable only for purposes specified by the donor or grantor. Any expenditure in excess of available funds is provided by unrestricted net assets.

Permanently Restricted Net Assets - Net assets subject to restrictions of gift instruments requiring that the principal is invested in perpetuity and the income is used only to support the Federation's mission and operations.

Cash, Cash Equivalents and Restricted Cash - The Federation maintains, at several financial institutions, cash that may exceed federally insured amounts at times. For purposes of the combined statements of cash flows, all investments with a purchased maturity of three months or less are considered to be cash equivalents. The balance of restricted cash at June 30, 2017 and 2016 relates to amounts of agency funds held.

Debt Service Fund Cash - The Federation's debt service fund included cash and cash equivalents set aside to meet the debt service obligations that was required by the 1996 A Series Tax-Exempt Variable Rate Demand Bonds (1996 A Bonds) and 1995 B Series Tax-Exempt Variable Rate Demand Bonds (1995 B Bonds). During 2017, the Federation refinanced bonds payable thereby relieving the debt service fund.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investments received by gift are recorded at market value on the date of donation. Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, changes in values of investment securities will occur in the near term, and it is reasonably possible that such changes could materially affect the amounts reported in the combined statements of financial position.

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments for which there is no ready market are valued at fair value as estimated by management. Limited partnerships, which are not readily marketable, are carried at net asset value (NAV) as provided by the investment partnerships and are used as a practical expedient. NAV is assessed by management to approximate fair value. Closely held stock is valued at appraised value and is not expected to be liquidated. The Federation reviews and evaluates the valuation methods and assumptions used in determining the fair value of the alternative investments. Because of inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments could differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, and the differences could be material. Such investments are, by their nature, generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

Interest and dividends from investments, net of investment fees, are included in investment income and are recognized when earned. Realized and unrealized gains, net of losses, are included in realized and unrealized appreciation (depreciation) on investments. Realized gains and losses on security transactions are determined by the specific identification method. Income and gains and losses derived from investments of endowment funds are accounted for in the net asset classification designated by the donor.

Split-Interest Agreements - Revenues and receivables are recognized at the date the agreements are established and are reported at the present value of the estimated future cash flows with restrictions based on the donors' intent of the future use of the funds. Liabilities under split-interest agreements are discounted to present value utilizing a rate of 2.4% and 1.8% for the years ended June 30, 2017 and 2016, respectively. Payments are made to donors or other beneficiaries in accordance with the respective agreements. The Federation has elected the fair value option (under Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) topic, Financial Instruments) for its split-interest arrangements. Assets related to the split-interest agreements are included in the investments and other receivables on the combined statements of financial position. The balances as of June 30 are included under the following captions in the accompanying combined financial statements:

<u>(Dollars in Thousands)</u>	<u>2017</u>	<u>2016</u>
Investments	\$ 11,827	\$ 10,634
Other receivables	352	349

Pledges and Reserve for Doubtful Accounts - Unconditional promises to give are recorded at fair value as of the date of the pledge. Gifts expected to be received over a period of time are recorded at the net present value of their estimated future cash flows discounted using a risk-free interest rate applicable to the year in which the promise is received. Temporarily restricted contributions are reclassified to unrestricted contributions and reported in the combined statements of activities and changes in net assets as net assets released from restrictions when a stipulated time restriction ends or purpose restriction is accomplished. The Federation's evaluation of the need for an allowance is based on historical collection experience, a review of current status of the pledge receivables, and judgment. Decisions to charge-off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. It is reasonably possible that the Federation's estimate of the reserve for doubtful accounts will change.

Property and Equipment - Property and equipment are recorded at the lower of cost or fair value. Depreciation and amortization are provided on the straight-line method over estimated useful lives. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred.

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment at June 30 are composed of the following:

<u>(Dollars in Thousands)</u>	<u>2017</u>	<u>2016</u>
Land	\$ 193	\$ 193
Equipment	526	560
Building	<u>2,213</u>	<u>2,210</u>
	2,932	2,963
Less - Accumulated depreciation	<u>2,258</u>	<u>2,156</u>
Property and equipment, net	<u>\$ 674</u>	<u>\$ 807</u>

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of - In accordance with the provisions of the Codification topic Property, Plant and Equipment, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value, as defined, of the assets. A fair value determination is made based upon discounted cash flows, appraisals and comparable sales of similar property. Based upon management's analysis, there was no impairment for fiscal years ended June 30, 2017 and 2016.

Appropriations Payable - The Federation records appropriations to the community in the fiscal year in which the Board approves them to be paid.

Agency Funds Held - Agency funds held include amounts from donors held by the Federation for various Jewish community agencies. Such funds are pooled with other Federation funds for investment purposes and the respective agencies retain variance power over these assets, resulting in a liability being recorded. The changes in the agency funds for the years ended June 30 are as follows:

<u>(Dollars in Thousands)</u>	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 88,139	\$ 88,566
Additions	9,100	9,145
Dividend and interest income	5,186	2,750
Realized and unrealized investment appreciation (depreciation)	4,183	(2,489)
Distributions	<u>(10,482)</u>	<u>(9,833)</u>
	<u>\$ 96,126</u>	<u>\$ 88,139</u>

Income Taxes - The JFGP is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code (IRC) and is also classified as an entity that is not a private foundation. The PJEIF and Pre-K and four supporting foundations are tax-exempt supporting organizations of the JFGP under Section 501(c)(3) of the IRC. The Federation follows the Codification topic on Income Taxes. The topic prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. The Federation classifies interest and penalties as tax expense, if incurred. The Federation's combined statements of financial position at June 30, 2017 and 2016 do not include any liabilities associated with uncertain tax positions; further, the Federation has no unrecognized tax benefits. The Federation believes that it is no longer subject to examination of its tax returns for years before 2014.

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services - The Federation receives donated services from a variety of unpaid volunteers who assist in fundraising, program services and supporting services. No amounts have been recognized in the accompanying combined statements of activities and changes in net assets for those services, since they would not have been purchased had they not been donated. Additionally, although the Board members have donated a substantial amount of time to the operation of the Federation, no amounts have been reflected in the accompanying combined financial statements for these donated services because no objective basis is available to measure the value of such services.

Functional Expense Allocation - The costs of providing the various programs and other activities have been allocated among the programs and supporting services benefited.

Release of Restricted Assets - Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors or grantors.

Fair Value Measurement - The framework for measuring fair value provides a 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the Fair Value Measurement topic 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 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Endowment - The Federation follows the provisions of the Codification topic Presentation of Financial Statements for Not-for-Profit Entities as it relates to the presentation of donor-restricted and Board-designated endowment funds. A portion of the Federation's net assets are donor-restricted endowment funds, which are governed by the Commonwealth of Pennsylvania's Act 141 (Act 141). Act 141 permits integration of a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's investments as income each year. (See Note 7.)

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Revenue - Program revenue primarily consists of funds contributed by individual donors and corporations to support a specific program. Program revenue also includes fees charged for Federation sponsored events. Amounts are recorded when collection is reasonably assured.

Contributions - corporations - Consist of donations from corporations to support PJEIF and Pre-K and are recorded at their fair value in the period received. The Federation derived approximately 57% and 73% of its contribution revenue to support the PJEIF and Pre-K from two corporate entities and their affiliates for the years ended June 30, 2017 and 2016, respectively.

Scholarships - PJEIF and Pre-K provide scholarship support, calculated annually on a per-student basis, to eligible institutions. Under the provisions of these programs, PJEIF and Pre-K must contribute 80% of annual contributions received from businesses awarded tax credits to a scholarship program.

Recent Accounting Pronouncements - The FASB has issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 is the result of a joint project of FASB and the International Accounting Standards Board (IASB) to clarify the principles for recognizing revenue and to develop a common revenue standard for use in the U.S. and internationally. ASU 2014-09 supersedes the revenue recognition requirements in Topic 605 of the FASB Codification and most industry-specific guidance throughout the Industry Topics of the Codification. ASU 2014-09 enhances comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; reduces the number of requirements an entity must consider for recognizing revenue; and requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU 2015-14, a deferral on the implementation date, and this guidance is effective for annual reporting periods beginning after December 15, 2017 for public business entities and certain not-for-profit entities and annual reporting periods beginning after December 15, 2018, for all other entities. ASU 2014-09 requires either retrospective application by restating each prior period presented in the financial statements, or retrospective application by recording the cumulative effect on prior reporting periods to beginning retained earnings in the year that the standard becomes effective. The Federation is assessing the impact that ASU 2014-09 will have on its combined financial statements and related disclosures.

The FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). ASU 2016-02 is the result of a joint project of FASB and IASB to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The ASU amends Topic 842 to require a lessee to recognize a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term initially measured at the present value of the lease payments. The lessee should also include payments to be made on an optional lease extension if the company is reasonably certain that the extension will be exercised when measuring the asset and liability. Organizations will be permitted to make an accounting policy election to not recognize leases with a term of 12 months or less. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, for public business entities and certain not-for-profit entities and for annual reporting periods beginning after December 15, 2019, for all other entities. Early application is permitted. The Federation is assessing the impact that ASU 2016-02 will have on its combined financial statements and related disclosures.

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which is intended to simplify and improve not-for-profit financial reporting.

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Specifically, the new guidance:

- Revises the net asset classification scheme to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three, while maintaining the requirement to report total net assets and changes in the classes of and total net assets.
- Continues to allow for a choice between the direct and indirect method of reporting operating cash flows; however, presentation of the indirect reconciliation is no longer required if using the direct method.
- Enhances disclosures for:
 - Self-imposed limits on the use of resources without donor-imposed restrictions
 - Composition of net assets with donor restrictions, and how the restrictions affect the use of resources
 - Qualitative disclosures on how a not-for-profit manages its available liquid resources, to meet cash needs for general expenditures within one year of the balance sheet date
 - Quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date
 - Methods used to allocate costs among program and support functions
- Requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between functional and natural classification for all expenses.
- Updates the accounting and disclosure requirements for underwater endowment funds, which include required disclosure of (1) policy concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate original gift amount (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater, which are to be classified as part of net assets with donor restrictions.
- Requires net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted.
- Requires the use of, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expiration of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restrictions over the estimated useful life of the acquired asset).

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. The Federation is assessing the impact ASU 2016-14 will have on its combined financial statements and related disclosures.

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) (ASU 2016-18). ASU 2016-18 is intended to reduce diversity in practice in how restricted cash is classified and presented on the statement of cash flows. ASU 2016-18 require that a statement of cash flows explain the change during the period in total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash would be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is effective for fiscal years beginning after December 15, 2017, for public business entities and fiscal years beginning after December 15, 2018, for all other entities, including interim periods and also requires a retrospective transition approach. The Federation has elected to early adopt ASU 2016-18 as of June 30, 2017 and has applied the requirements to the presentation of restricted cash within the combined statements of cash flows, retrospectively, to 2016.

NOTE 3 - RENAISSANCE PROJECT

The Renaissance Project was an effort to renovate and develop new facilities primarily in the Squirrel Hill section of Pittsburgh for a number of related agencies of the Federation.

Since inception, approximately \$59,205,000 has been pledged to the campaign, including \$400,000 during 2016. Collections have totaled approximately \$49,477,000 through June 30, 2017, resulting in a balance of approximately \$9,728,000, due from the Jewish Healthcare Foundation (JHF), as discussed in the next paragraph.

The JHF made an unconditional pledge to the Federation for fulfillment of an appropriation made by the Federation to the Jewish Association on Aging (JAA) as part of the Renaissance Project. The JHF agreed to make principal and interest payments on the former 1995 B Bonds and 1996 A Bonds of the Federation. In August 2016, the 1995 B Bonds and 1996 A Bonds were refinanced through the issuance of an Allegheny County Industrial Development Authority Tax-Exempt Note, Series 2016 (2016 Note) (See Note 9.) The JHF has amended the unconditional pledge agreement make principal and interest payments on the 2016 Note every April and October through 2026 to cover the related debt service payments. The pledge receivable from JHF was \$9,728,000 and \$10,535,000 at June 30, 2017 and 2016, respectively, and is included in Renaissance pledges receivable. (See Note 4.)

The total interest reimbursements received from JHF by the Federation under all of the pledge and reimbursement agreements were approximately \$146,000 and \$14,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE 4 - PLEDGES AND RECEIVABLES

The Federation's receivables at June 30 consist of the following:

<u>(Dollars in Thousands)</u>	<u>2017</u>		
	<u>Campaign</u>	<u>Renaissance</u>	<u>Other</u>
Receivables	\$ 6,164	\$ 9,728	\$ 1,465
Less - Reserve for doubtful accounts	<u>1,396</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,768</u>	<u>\$ 9,728</u>	<u>\$ 1,465</u>

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 - PLEDGES AND RECEIVABLES (Continued)

<i>(Dollars in Thousands)</i>	2016		
	Campaign	Renaissance	Other
Receivables	\$ 6,267	\$ 10,535	\$ 2,413
Less - Reserve for doubtful accounts	1,834	-	-
	<u>\$ 4,433</u>	<u>\$ 10,535</u>	<u>\$ 2,413</u>

Other receivables at June 30, 2017 and 2016, each respectively, include noninterest-bearing advances to certain beneficiary agencies totaling \$915,000 and \$1,108,000, respectively, including advances to the JAA of \$660,000 and \$808,000, respectively, (inclusive of the amounts described in Note 3) and advances to the Jewish Community Center of \$155,000 and \$175,000, respectively.

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

<i>(Dollars in Thousands)</i>	Campaign	Renaissance	Total
In one year or less	\$ 6,164	\$ 932	\$ 7,096
Between one year and five years	-	4,010	4,010
More than five years	-	4,786	4,786
	<u>\$ 6,164</u>	<u>\$ 9,728</u>	<u>\$ 15,892</u>

NOTE 5 - INVESTMENTS

Investments, stated at fair value, included in the June 30 combined statements of financial position are as follows:

<i>(Dollars in Thousands)</i>	2017			2016		
	Endowment	Other	Total	Endowment	Other	Total
Donor gifts and accumulated gains	\$ 92,821	\$ 36,939	\$ 129,760	\$ 82,792	\$ 33,633	\$ 116,425
Board-designated	11,186	-	11,186	10,484	-	10,484
Amounts of agency funds held	-	88,043	88,043	-	81,290	81,290
Amounts held for charitable trusts	-	5,665	5,665	-	3,878	3,878
Total fair value	<u>\$ 104,007</u>	<u>\$ 130,647</u>	<u>\$ 234,654</u>	<u>\$ 93,276</u>	<u>\$ 118,801</u>	<u>\$ 212,077</u>

Investments consist primarily of the Federation's pooled investment funds, which are managed and controlled by the Federation. The remainder of the Federation's investments are composed of various donor-investment vehicles.

JEWISH FEDERATION OF GREATER PITTSBURGH

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 5 - INVESTMENTS (Continued)

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

<i>(Dollars in Thousands)</i>	2017		
	Pooled Investments	Non-Pooled Investments	Total
Cash and cash equivalents	\$ 5,219	\$ 189	\$ 5,408
Common stocks	-	309	309
Domestic equity mutual funds	107,416	2,123	109,539
International equity mutual funds	32,614	-	32,614
Fixed-income mutual funds	15,766	1,134	16,900
Domestic corporate bonds	17,976	-	17,976
Domestic government bonds	19,673	-	19,673
Other international bonds	2,348	-	2,348
Israel bonds	6,072	413	6,485
Closely held stock	-	10,886	10,886
Cash surrender value of life insurance	-	6,926	6,926
Investments in limited partnerships	2,141	1,505	3,646
Funds held in trust	-	1,788	1,788
Beneficial interest in trusts	-	156	156
	<u>\$ 209,225</u>	<u>\$ 25,429</u>	<u>\$ 234,654</u>

<i>(Dollars in Thousands)</i>	2016		
	Pooled Investments	Non-Pooled Investments	Total
Cash and cash equivalents	\$ 2,685	\$ 178	\$ 2,863
Common stocks	-	358	358
Domestic equity mutual funds	92,134	1,560	93,694
International equity mutual funds	29,141	253	29,394
Fixed-income mutual funds	14,592	848	15,440
Domestic corporate bonds	13,689	-	13,689
Domestic government bonds	22,550	-	22,550
Other international bonds	1,487	-	1,487
Israel bonds	5,620	469	6,089
Closely held stock	-	10,267	10,267
Cash surrender value of life insurance	-	7,012	7,012
Investments in limited partnerships	5,234	2,176	7,410
Funds held in trust	-	1,668	1,668
Beneficial interest in trusts	-	156	156
	<u>\$ 187,132</u>	<u>\$ 24,945</u>	<u>\$ 212,077</u>

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 - FAIR VALUE MEASUREMENT

The Federation's financial instruments consist primarily of cash and cash equivalents, debt service fund cash, investments, campaign pledges receivable, Renaissance pledges receivable, other receivables, appropriations payable, accounts payable and other liabilities, agency funds held, amounts held for charitable trusts and bonds payable and note payable.

Following is a description of the fair value measurement considerations. There have been no changes in the methodologies used at June 30, 2017 and 2016.

The carrying amount of cash and cash equivalents, debt service fund cash, appropriations payable, accounts payable and other liabilities approximates their fair value due to the short-term nature of such instruments.

The carrying amount of campaign pledges receivable, Renaissance pledges receivable and other receivables is recorded at the amount of expected future cash flows to be received, which approximates fair value and are classified as Level 2 in the fair value hierarchy table.

The amounts of agency funds held represent offsetting liabilities for the corresponding investment accounts, since the Federation holds these funds for the benefit of specific agencies. These liabilities are valued at the same fair value as their related investment balances.

The amounts held for charitable trusts are reported at the present value of the estimated future cash flows of the respective trust instruments.

The carrying value of the Federation's bonds payable and note payable approximates fair value at June 30, 2017 and 2016, since the interest rates are variable and are generally adjusted periodically.

The methods for valuing the Federation's investments, by significant category, are as follows:

Common Stocks - Valued at the closing price reported on the active market on which the individual securities are traded.

Domestic Corporate, Domestic Government, Other International and Israel Bonds - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Fixed-Income, Domestic Equity and International Equity Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Federation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Federation are deemed to be actively traded.

Cash Surrender Value of Life Insurance - The investments are valued at the cash surrender value of the policies, which approximates fair value.

Funds Held in Trust and Beneficial Interest in Trust - Valued based upon the fair value of underlying assets which are comprised primarily of Level 1 investments such as stocks and mutual funds.

JEWISH FEDERATION OF GREATER PITTSBURGH

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 6 - FAIR VALUE MEASUREMENT (Continued)

Investments in Limited Partnerships - Valuation requires significant judgment due to the absence of quoted market prices, inherent lack of liquidity, heavy reliance on Level 3 inputs, and the long-term nature of such investments. The Federation has determined the fair value of the limited partnership investments based on the NAV per-share basis as provided by the investment managers. NAV is used as a practical expedient to estimate the fair value of the Federation's interest, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. Withdrawals and distributions on approximately \$3,114,000 of the outstanding limited partnership investment balances can be received by the Federation either quarterly or annually based upon a 63-to-95-day written notice period, depending on the fund. The remaining approximately \$532,000 of limited partnerships do not contain significant liquidity constraints. As of June 30, 2017, the Federation had \$6,000,000 of unfunded commitments for limited partnership investments.

Closely Held Stock - The Federation holds stock in two organizations. Significant unobservable inputs are used to determine the fair value of the closely held stock. The closely held stock is measured at an appraised value calculated using an income approach. There are no restrictions on the Federation's ability to sell or transfer the closely held stock.

The valuation of the Federation's assets and liabilities accounted for at fair value according to the fair value hierarchy at June 30 is summarized as follows:

<i>(Dollars in Thousands)</i>	Assets and (Liabilities) at Fair Value at June 30, 2017			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investments:				
Cash and cash equivalents	\$ 5,408	-	-	\$ 5,408
Common stocks	309	-	-	309
Domestic equity mutual funds	109,539	-	-	109,539
International equity mutual funds	32,614	-	-	32,614
Fixed-income mutual funds	16,900	-	-	16,900
Domestic corporate bonds	372	\$ 17,604	-	17,976
Domestic government bonds	-	19,673	-	19,673
Other international bonds	-	2,348	-	2,348
Israel bonds	-	6,485	-	6,485
Closely held stock	-	-	\$ 10,886	10,886
Cash surrender value of life insurance	-	6,926	-	6,926
Funds held in trust	1,788	-	-	1,788
Beneficial interest in trusts	-	156	-	156
Investments in the fair value hierarchy	<u>\$ 166,930</u>	<u>\$ 53,192</u>	<u>\$ 10,886</u>	231,008
Investments measured at NAV (a)				<u>3,646</u>
Total fair value of assets				<u>\$ 234,654</u>
LIABILITIES				
Amounts held for charitable trusts	<u>-</u>	<u>\$ 5,665</u>	<u>-</u>	<u>\$ 5,665</u>

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 - FAIR VALUE MEASUREMENT (Continued)

<i>(Dollars in Thousands)</i>	Assets and (Liabilities) at Fair Value at June 30, 2016			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investments:				
Cash and cash equivalents	\$ 2,863	-	-	\$ 2,863
Common stocks	358	-	-	358
Domestic equity mutual funds	93,694	-	-	93,694
International equity mutual funds	29,394	-	-	29,394
Fixed-income mutual funds	15,440	-	-	15,440
Domestic corporate bonds	-	\$ 13,689	-	13,689
Domestic government bonds	-	22,550	-	22,550
Other international bonds	-	1,487	-	1,487
Israel bonds	-	6,089	-	6,089
Closely held stock	-	-	\$ 10,267	10,267
Cash surrender value of life insurance	-	7,012	-	7,012
Funds held in trust	1,668	-	-	1,668
Beneficial interest in trusts	-	156	-	156
Investments in the fair value hierarchy	<u>\$ 143,417</u>	<u>\$ 50,983</u>	<u>\$ 10,267</u>	204,667
Investments measured at NAV (a)				<u>7,410</u>
Total fair value of assets				<u>\$ 212,077</u>
LIABILITIES				
Amounts held for charitable trusts	<u>-</u>	<u>\$ 3,878</u>	<u>-</u>	<u>\$ 3,878</u>

(a) In accordance with ASU 2015-07 and Codification Subtopic 820-10, certain investments were measured at NAV per share (or its equivalent), and as a practical expedient, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of fair value hierarchy line items presented in the statements of financial position.

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 - FAIR VALUE MEASUREMENT (Continued)

The changes in investments measured at fair value for which the Federation has used Level 3 inputs to determine fair value are as follows:

<u>(Dollars in Thousands)</u>	<u>Closely Held Stock</u>
Balance, June 30, 2015	\$ 9,669
Unrealized appreciation	<u>598</u>
Balance, June 30, 2016	10,267
Unrealized appreciation	<u>619</u>
Balance, June 30, 2017	\$ <u>10,886</u>

Unrealized appreciation (depreciation) is reported as a component of revenue during the years ended June 30, 2017 and 2016 and relates to investments held as of June 30, 2017 and 2016.

The Federation has evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of transfers relative to total net assets available for benefits. For the years ended June 30, 2017 and 2016, there were no significant transfers in or out of Levels 1, 2 or 3.

NOTE 7 - ENDOWMENT

The Federation's endowment consists of various investment funds established primarily for support of the Federation's mission. Its endowment includes donor-restricted as well as Board-designated endowment funds. As required by generally accepted accounting principles, 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.

Interpretation of Relevant Law - The Board of the Federation has elected to be governed by provisions of Act 141, which permits a total return policy allowing a nonprofit to choose to treat a percentage of the average market value of the endowment's permanently restricted investments as income each year. Pennsylvania law permits a percentage not less than 2% and not more than 7%. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. In accordance with Act 141, the Federation annually transfers the approved spending rate of the previous three years' market value average of the endowment fund or other spending provisions by the donor. This percentage is applied to a three-year average market value of the investments at December 31st of the previous year. The Federation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. Earnings on these gifts are accumulated in temporarily restricted net assets.

The Federation considers the following factors in making a determination to set a spending rate:

1. Protecting the corpus of the endowment fund.

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 - ENDOWMENT (Continued)

2. Preserving the spending power of the assets.
3. Obtaining maximum investment return with reasonable risk and operational consideration.
4. Complying with applicable laws and donor restrictions.

The following represents the change in donor-restricted and Board-designated endowment funds by type for the year ended June 30:

<u>(Dollars in Thousands)</u>	<u>Board- Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ 10,389	\$ 44,427	\$ 38,060	\$ 92,876
Investment return:				
Investment income	354	2,244	-	2,598
Net unrealized (depreciation) appreciation	(594)	(2,015)	250	(2,359)
Contributions and other additions	1,381	2,047	2,396	5,824
Change in value of split- interest agreements	-	(692)	714	22
Appropriation of endowment assets for expenditures	<u>(1,046)</u>	<u>(4,639)</u>	<u>-</u>	<u>(5,685)</u>
Endowment net assets, June 30, 2016	10,484	41,372	41,420	93,276
Investment return:				
Investment income	655	4,600	-	5,255
Net unrealized appreciation	157	3,780	331	4,268
Contributions and other additions	695	2,423	3,739	6,857
Change in value of split- interest agreements	-	(912)	610	(302)
Appropriation of endowment assets for expenditures	<u>(805)</u>	<u>(4,542)</u>	<u>-</u>	<u>(5,347)</u>
Endowment net assets, June 30, 2017	\$ <u>11,186</u>	\$ <u>46,721</u>	\$ <u>46,100</u>	\$ <u>104,007</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 has required the Federation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in temporarily restricted net assets are approximately \$514,000 and \$1,011,000 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of permanently restricted contributions and continued discretionary appropriations for certain programs that were deemed prudent by the Board.

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters - The Federation has adopted investment and spending policies for endowment assets that attempt to provide a reasonable level of funding to programs supported by its endowment while seeking to enhance the purchasing power of the fund's corpus by striving for long-term growth. Endowment assets include those assets of donor-restricted funds that the Federation must hold in perpetuity or for a donor-specified period as well as those of Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark of equity, fixed income, private equity and real estate peer groups.

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 to achieve its long-term return objectives within prudent risk constraints. Investment advisors, at the discretion of the Investment Committee of the Board, are given guidelines to the percentage that can be committed to a particular investment or investment category.

Spending Policy and Investment Objectives Related to Spending Policy - As permitted by Act 141 and with the approval of the Board, the Federation annually transfers an amount equal to 5% of the previous three years' market value average of the permanently restricted endowment fund to unrestricted or temporarily restricted net assets for use in current and future operations. Additionally, at the discretion of the Board, the Federation makes discretionary distributions from Board-designated endowment funds in excess of the 5% spending guideline (also as permitted by law) that do not have spending policy restrictions attached. For the years ended June 30, 2017 and 2016, distributions from endowment funds totaled approximately \$5,347,000 and \$5,685,000, respectively, of which approximately \$877,000 and \$1,402,000, respectively, were discretionary distributions. The Federation believes that this spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the Federation's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

NOTE 8 - RESTRICTED NET ASSETS

Restricted net assets as of June 30 consist of the following:

<i>(Dollars in Thousands)</i>	2017	2016
Endowment	\$ 46,721	\$ 41,372
Supporting Foundations	12,980	12,008
PJEIF and Pre-K Scholarships	220	204
Other	25	25
	<u>59,946</u>	<u>53,609</u>
Temporarily restricted net assets	\$ <u>59,946</u>	\$ <u>53,609</u>
Permanently restricted net assets - endowment	\$ <u>46,100</u>	\$ <u>41,420</u>

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 - RESTRICTED NET ASSETS (Continued)

Net assets were released from restrictions during the years ended June 30 for the following purposes:

<u>(Dollars in Thousands)</u>	<u>2017</u>	<u>2016</u>
PJEIF and Pre-K Scholarships	\$ 3,730	\$ 3,180
Endowment	4,542	4,639
Supporting foundations	434	370
Programs and operational support	<u>901</u>	<u>1,107</u>
	<u>\$ 9,607</u>	<u>\$ 9,296</u>

NOTE 9 - BONDS AND NOTE PAYABLE

Bonds and note payable as of June 30 are summarized as follows:

<u>(Dollars in Thousands)</u>	<u>2017</u>	<u>2016</u>
Allegheny County Industrial Development Authority Tax-Exempt Variable Rate Note, Series 2016, issue amount of \$10,075 (1.74% at June 30, 2017), payable in semiannual amounts through 2026.	\$ 9,207	-
1996 A Series Tax-Exempt Variable Rate Demand Bonds issue amount of \$21,055 (0.43% at June 30, 2016). Refinanced by the 2016 Note.	-	\$ 8,140
1995 B Series Tax-Exempt Variable Rate Demand Bonds issue amount of \$20,000 (0.44% at June 30, 2016). Refinanced by the 2016 Note.	-	2,400
Noninterest-bearing note payable that is payable in equal quarterly payments through 2019.	<u>179</u>	<u>268</u>
	<u>\$ 9,386</u>	<u>\$ 10,808</u>

The interest on the 1996 A Bond and 1995 B Bond was determined on the weekly Securities Industry and Financial Markets Association (SIGMA) Municipal Swap and was payable monthly. The 1996 A and 1995 Bonds were collateralized by irrevocable letters of credit and substantially all the assets of the Federation. Under the terms of the 1995 B Bond, the Federation was required to maintain certain deposits with a trustee, which were included in debt service fund cash in the accompanying combined statements of financial position and was cancelled with the refinancing.

JEWISH FEDERATION OF GREATER PITTSBURGH
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 9 - BONDS AND NOTE PAYABLE (Continued)

In August 2016, the Federation refinanced the 1995 B Bonds and the 1996 A Bonds through the issuance of the 2016 Note. The 2016 Note requires semiannual payments ranging from \$405,539 to \$550,000 plus interest at a variable rate of the greater of the prime rate plus 0.50% or London InterBank Offered Rate plus 1.00%. The 2016 Note matures on October 1, 2026 and is permitted to be redeemed before the stated maturity date. The 2016 Note is secured by the Pledge Agreement (See Note 3). The indenture for the 2016 Note limits the incurrence of additional borrowings. Bond issuance costs were insignificant to the combined financial statements.

The scheduled annual maturities of bonds and note payable subsequent to June 30, 2017, with the impact of the refinancing are as follows:

Fiscal Year Ending June 30 <i>(Dollars in Thousands)</i>	Amount
2018	\$ 1,014
2019	1,044
2020	990
2021	1,015
2022	1,050
Thereafter	<u>4,273</u>
	<u>\$ 9,386</u>

The Federation has guaranteed the Variable Rate Demand Revenue Bonds, Series 1996B (1996 B Bonds) issued for the benefit for the Jewish Home and Hospital for Aged in Pittsburgh. As of June 30, 2017, the amount outstanding approximated \$1,900,000. As of June 30, 2017 and 2016, the Federation has not recorded any liability related to this guarantee in accordance with the FASB Codification topic on Contingencies based upon the Federation's assessment of the likelihood of performance being remote.

NOTE 10 - RETIREMENT PLAN

The Federation maintained a defined contribution plan (Plan) under Section 401(k) of the IRC covering all eligible employees. Effective July 1, 2016, the Plan was terminated and all of the assets were transferred to a newly formed 403(b) Thrift Plan. Under both plans, participants may contribute up to Internal Revenue Service qualified limits of their eligible compensation. In addition, Plan contributions are made on behalf of eligible employees at 3% of the employee's eligible salary, as well as a matching contribution on behalf of participating employees of up to 2% of the participant's eligible salary. There were no changes to the employer contributions from the 401(k) to the 403(b) Plan. Employer contributions to the respective Plans approximated \$157,000 and \$148,000 for the years ended June 30, 2017 and 2016, respectively.

JEWISH FEDERATION OF GREATER PITTSBURGH

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to year end, the Federation entered into an agreement to sell the Federation's land and building for \$5,000,000. The Federation also entered into a lease agreement with the seller to lease the land and building for a period of up to three years. Monthly base rent shall be \$29,166 for the first 18 months and \$33,333 for the second 18 months. The Federation can terminate the lease agreement with 90 day's prior written notice between May 1 and December 31 of any calendar year. The Federation has not applied FASB Codification topic Property, Plant, and Equipment, as the balance of the land and building is not significant.

The Federation has evaluated subsequent events through December 14, 2017, the date on which the combined financial statements were available to be issued.

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SUPPLEMENTARY COMBINING INFORMATION

JEWISH FEDERATION OF GREATER PITTSBURGH

COMBINING STATEMENTS OF FINANCIAL POSITION

(Dollars in Thousands)

	June 30, 2017			
	Federation	Educational	Supporting Foundations	Total
ASSETS				
Cash and cash equivalents	\$ 6,472	\$ 253	\$ 102	\$ 6,827
Restricted cash	8,273	-	-	8,273
Debt service fund cash	-	-	-	-
Investments	220,418	-	14,236	234,654
Campaign pledges receivable, net	4,768	-	-	4,768
Renaissance pledges receivable, net	9,728	-	-	9,728
Other receivables	1,465	-	-	1,465
Property and equipment, net	674	-	-	674
Prepays and other assets	178	-	-	178
	<u>\$ 251,976</u>	<u>\$ 253</u>	<u>\$ 14,338</u>	<u>\$ 266,567</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Appropriations payable	\$ 690	-	-	\$ 690
Accounts payable and other liabilities	997	-	\$ 849	1,846
Amounts of agency funds held	96,126	-	-	96,126
Amounts held for charitable trusts	5,665	-	-	5,665
Intra-agency (receivable) payable	(542)	\$ 33	509	-
Bonds and note payable	9,386	-	-	9,386
	<u>112,322</u>	<u>33</u>	<u>1,358</u>	<u>113,713</u>
NET ASSETS				
Unrestricted:				
Board-designated	11,186	-	-	11,186
Undesignated	35,622	-	-	35,622
Total Unrestricted	<u>46,808</u>	<u>-</u>	<u>-</u>	<u>46,808</u>
Temporarily restricted	46,746	220	12,980	59,946
Permanently restricted	46,100	-	-	46,100
	<u>139,654</u>	<u>220</u>	<u>12,980</u>	<u>152,854</u>
Total Net Assets	<u>139,654</u>	<u>220</u>	<u>12,980</u>	<u>152,854</u>
Total Liabilities And Net Assets	<u>\$ 251,976</u>	<u>\$ 253</u>	<u>\$ 14,338</u>	<u>\$ 266,567</u>

June 30, 2016

Federation	Educational	Supporting Foundations	Total
\$ 5,199	\$ 351	\$ 43	\$ 5,593
7,289	-	-	7,289
518	-	-	518
198,833	-	13,244	212,077
4,433	-	-	4,433
10,535	-	-	10,535
2,413	-	-	2,413
807	-	-	807
290	-	-	290
<u>\$ 230,317</u>	<u>\$ 351</u>	<u>\$ 13,287</u>	<u>\$ 243,955</u>

\$ 580	-	-	\$ 580
771	\$ 93	\$ 800	1,664
88,139	-	-	88,139
3,878	-	-	3,878
(533)	54	479	-
10,808	-	-	10,808

103,643	147	1,279	105,069
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10,484	-	-	10,484
33,373	-	-	33,373
43,857	-	-	43,857
41,397	204	12,008	53,609
41,420	-	-	41,420

126,674	204	12,008	138,886
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<u>\$ 230,317</u>	<u>\$ 351</u>	<u>\$ 13,287</u>	<u>\$ 243,955</u>
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The independent auditors' report should be read with these combining financial statements.

JEWISH FEDERATION OF GREATER PITTSBURGH

COMBINING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

(Dollars in Thousands)

	June 30, 2017			
	Federation	Educational	Supporting Foundations	Total
PUBLIC SUPPORT				
Contributions:				
Campaign contributions	\$ 13,191	-	-	\$ 13,191
Contributions to Foundation	11,418	-	\$ 944	12,362
Jewish Healthcare Foundation	900	-	-	900
Renaissance Project	-	-	-	-
Program revenue	4,087	-	-	4,087
Contributions - corporations	-	\$ 3,952	-	3,952
Campaign contributions paid from donor-advised funds	(1,714)	-	-	(1,714)
Total Public Support	27,882	3,952	944	32,778
REVENUE				
Dividends and interest income	6,606	1	513	7,120
Realized and unrealized appreciation (depreciation)	5,382	-	712	6,094
Change in value of split-interest agreements	(302)	-	-	(302)
Other interest income	12	-	-	12
Total Revenue	11,698	1	1,225	12,924
Total Public Support And Revenue	39,580	3,953	2,169	45,702
EXPENSES				
Program services	23,072	-	434	23,506
Scholarship expense	-	3,730	-	3,730
Fundraising	2,763	66	5	2,834
General and administrative	1,612	27	25	1,664
Intra-agency (revenue) expenses	(847)	114	733	-
Total Expenses	26,600	3,937	1,197	31,734
Changes In Net Assets Before				
Other Changes In Net Assets	12,980	16	972	13,968
OTHER CHANGES IN NET ASSETS				
Divestment of Program Operations	-	-	-	-
Total Other Changes In Net Assets	-	-	-	-
Changes In Net Assets	12,980	16	972	13,968
NET ASSETS				
Beginning of year	126,674	204	12,008	138,886
End of year	\$ 139,654	\$ 220	\$ 12,980	\$ 152,854

June 30, 2016

Federation	Educational	Supporting Foundations	Total
\$ 11,835	-	-	\$ 11,835
9,344	-	\$ 931	10,275
900	-	-	900
400	-	-	400
2,431	-	-	2,431
-	\$ 3,442	-	3,442
(1,947)	-	-	(1,947)
22,963	3,442	931	27,336
3,349	1	560	3,910
(3,196)	-	484	(2,712)
22	-	-	22
7	-	-	7
182	1	1,044	1,227
23,145	3,443	1,975	28,563
19,348	-	370	19,718
-	3,180	-	3,180
2,388	84	4	2,476
1,903	2	75	1,980
(927)	164	763	-
22,712	3,430	1,212	27,354
433	13	763	1,209
(178)	-	-	(178)
(178)	-	-	(178)
255	13	763	1,031
126,419	191	11,245	137,855
\$ 126,674	\$ 204	\$ 12,008	\$ 138,886

The independent auditors' report should be read with these combining financial statements.

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