



**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**

Consolidated Financial Statements and Schedules

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
United Jewish Appeal-Federation of
Jewish Philanthropies of New York, Inc.:

We have audited the accompanying consolidated financial statements of United Jewish Appeal-Federation of Jewish Philanthropies of New York, Inc. (UJA-Federation) and related entities, which comprise the consolidated balance sheets as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Jewish Appeal-Federation of Jewish Philanthropies of New York, Inc. and related entities as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 and 2 as of the years ended June 30, 2018 and 2017 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

KPMG LLP

November 28, 2018

UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES

Consolidated Balance Sheets

June 30, 2018 and 2017
(With consolidating information for 2018)
(Dollars in thousands)

| | 2018 | | | | | 2017 | | |
|---|---------------------|----------------------------|----------------|-----------------------------|-------------------|--|-----------------------|-----------------------|
| | UJA-Federation | Related Entities (Note 1) | | | | Consolidated and Elimination Items | Consolidated Total | Consolidated Total |
| | | Jewish Communal Fund | Gross Funds | Supporting Organizations | Other Entities | | | |
| Assets | | | | | | | | |
| Cash | \$ 16,719 | - | 932 | 779 | 1,566 | - | 19,996 | 19,959 |
| Contributions receivable, net (note 4) | 119,389 | - | - | - | 189 | - | 119,578 | 98,658 |
| Other assets and receivables (notes 5 and 14) | 66,617 | 1,708 | 1,508 | 165 | 70,115 | (350) | 139,763 | 116,155 |
| Intercompany receivables (payables) | 3,014 | - | - | (494) | (2,520) | - | - | - |
| Mortgage and school loans receivable, net | - | - | 56 | - | - | - | 56 | 368 |
| Amounts held on behalf of other agencies | 67,666 | - | - | - | - | (7,540) | 60,126 | 57,707 |
| Investments (notes 5 and 6) | 1,089,516 | 1,645,507 | 66,224 | 53,342 | 4,091 | (49,193) | 2,809,487 | 2,681,023 |
| Unexpended bond proceeds (notes 5 and 9) | 34,503 | - | - | - | - | - | 34,503 | 34,660 |
| Assets held under charitable trust agreements (notes 3 and 5) | 33,900 | - | - | - | - | - | 33,900 | 37,409 |
| Fixed assets, net (note 8) | 57,868 | 344 | 3 | - | 18,546 | - | 76,761 | 78,967 |
| Total assets | \$ 1,489,192 | 1,647,559 | 68,723 | 53,792 | 91,987 | (57,083) | 3,294,170 | 3,124,906 |
| Liabilities and Net Assets | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable, accrued expenses, and other liabilities (notes 5, 9 and 14) | \$ 28,415 | 921 | 469 | - | 39,112 | (350) | 68,567 | 59,924 |
| Grants payable | 18,558 | - | 4,007 | 158 | 823 | - | 23,546 | 21,302 |
| Amounts held on behalf of other agencies | 67,666 | - | - | - | - | (7,540) | 60,126 | 57,707 |
| Liabilities under charitable trust and annuity agreements (note 3) | 44,003 | - | - | - | - | - | 44,003 | 47,225 |
| Long-term debt, net (note 9) | 81,844 | - | - | - | - | - | 81,844 | 84,489 |
| Accrued postretirement benefits (note 11) | 3,967 | - | - | - | - | - | 3,967 | 4,222 |
| Total liabilities | 244,453 | 921 | 4,476 | 158 | 39,935 | (7,890) | 282,053 | 274,869 |
| Commitments and contingencies (note 12) | | | | | | | | |
| Net assets: | | | | | | | | |
| Unrestricted: | | | | | | | | |
| Undesignated | 119,758 | 1,628,144 | 17,295 | 53,634 | 52,052 | (15,000) | 1,855,883 | 1,751,280 |
| Board designated (notes 7 and 13) | 410,646 | 18,494 | - | - | - | (140) | 429,000 | 418,523 |
| Total unrestricted net assets | 530,404 | 1,646,638 | 17,295 | 53,634 | 52,052 | (15,140) | 2,284,883 | 2,169,803 |
| Temporarily restricted (notes 7 and 14) | 451,722 | - | 46,952 | - | - | (27,287) | 471,387 | 428,879 |
| Permanently restricted (notes 7 and 15): | | | | | | | | |
| Endowment – income restricted | 149,132 | - | - | - | - | (5,864) | 143,268 | 141,439 |
| Endowment – income unrestricted | 113,481 | - | - | - | - | (902) | 112,579 | 109,916 |
| Total permanently restricted net assets | 262,613 | - | - | - | - | (6,766) | 255,847 | 251,355 |
| Total net assets | 1,244,739 | 1,646,638 | 64,247 | 53,634 | 52,052 | (49,193) | 3,012,117 | 2,850,037 |
| Total liabilities and net assets | \$ 1,489,192 | 1,647,559 | 68,723 | 53,792 | 91,987 | (57,083) | 3,294,170 | 3,124,906 |

See accompanying notes to consolidated financial statements.

UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES

Consolidated Statements of Activities

Years ended June 30, 2018 and 2017
(With consolidating information for 2018)
(Dollars in thousands)

| | 2018 | | | | | 2017 | | |
|---|----------------|----------------------------|-----------------------------|---------------------------|---------------|---|-----------------------|-----------------------|
| | UJA-Federation | Jewish Communal Fund | Gross Funds | Related Entities (Note 1) | | Consolidation and Elimination Items | Consolidated Total | Consolidated Total |
| | | | Supporting Organizations | Other Entities | | | | |
| Changes in unrestricted net assets: | | | | | | | | |
| Revenue and gains (losses): | | | | | | | | |
| Annual/special giving (note 3): | | | | | | | | |
| Annual giving contributions, including special event and mission fees of \$4,482 in 2018 and \$5,383 in 2017 | \$ 133,026 | - | - | - | - | (19,052) | 113,974 | 124,438 |
| Less event and mission costs | (8,674) | - | - | - | - | - | (8,674) | (11,394) |
| Special giving contributions | 86 | - | - | - | - | - | 86 | 98 |
| Less provision for uncollectible contributions, net of prior years' recoveries | (2,280) | - | - | - | - | - | (2,280) | (2,392) |
| Net annual/special giving contributions, including special events and missions | 122,158 | - | - | - | - | (19,052) | 103,106 | 110,750 |
| Legacies and bequests | 20,428 | - | - | - | - | - | 20,428 | 23,325 |
| Split-interest agreements (note 3) | 1,694 | - | - | - | - | - | 1,694 | 984 |
| Change in value of split-interest agreements (note 3) | (136) | - | - | - | - | - | (136) | (1,826) |
| Donated goods and services | 150 | - | - | - | - | - | 150 | 150 |
| Amounts raised on behalf of others (note 3) | 19,939 | - | - | - | - | - | 19,939 | 16,885 |
| Net unrestricted campaign revenue, including amounts raised on behalf of others | 164,233 | - | - | - | - | (19,052) | 145,181 | 150,268 |
| Less amounts raised on behalf of others | (19,939) | - | - | - | - | - | (19,939) | (16,885) |
| Net unrestricted campaign revenue, excluding amounts raised on behalf of others | 144,294 | - | - | - | - | (19,052) | 125,242 | 133,383 |
| Contributions – consolidated entities | - | 451,124 | - | 2,450 | 598 | (10) | 454,162 | 414,467 |
| Net unrestricted contribution revenue, including consolidated entities | 144,294 | 451,124 | - | 2,450 | 598 | (19,062) | 579,404 | 547,850 |
| Net investment income (loss) (note 6) | 3,927 | 23,838 | 381 | 144 | (552) | (1,958) | 25,780 | 20,364 |
| Net appreciation in fair value of investments | 24,497 | 62,906 | 7,621 | 3,333 | - | - | 98,609 | 150,339 |
| Rental income (notes 10 and 12) | 15,360 | - | - | - | 3,872 | - | 19,232 | 19,069 |
| Service income | 890 | - | - | - | - | (137) | 753 | 822 |
| Other income | 25 | - | 158 | - | 7,534 | - | 7,717 | 10,463 |
| Net assets released from restrictions | 55,950 | 104 | 3,132 | - | - | - | 59,186 | 90,799 |
| Total net unrestricted revenue and gains | 244,943 | 537,972 | 11,292 | 5,927 | 11,704 | (21,157) | 790,681 | 839,706 |
| Grants and expenses: | | | | | | | | |
| Grants and other program services: | | | | | | | | |
| Grants (note 10) | 153,542 | 434,787 | 7,110 | 4,055 | 541 | (23,401) | 576,634 | 538,900 |
| Other program services | 29,363 | 770 | 747 | - | 5,299 | - | 36,179 | 33,152 |
| Total grants and other program services | 182,905 | 435,557 | 7,857 | 4,055 | 5,840 | (23,401) | 612,813 | 572,052 |
| Fund-raising | 31,255 | 1,489 | - | - | 161 | - | 32,905 | 32,334 |
| Management and general | 20,904 | 4,801 | 1,004 | 55 | 3,487 | (162) | 30,089 | 30,666 |
| Total expenses | 235,064 | 441,847 | 8,861 | 4,110 | 9,488 | (23,563) | 675,807 | 635,052 |
| Increase in net assets before postretirement plan adjustments | 9,879 | 96,125 | 2,431 | 1,817 | 2,216 | 2,406 | 114,874 | 204,654 |
| Postretirement benefit changes not included in net periodic benefit cost | 206 | - | - | - | - | - | 206 | 654 |
| Increase in unrestricted net assets | 10,085 | 96,125 | 2,431 | 1,817 | 2,216 | 2,406 | 115,080 | 205,308 |

UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES

Consolidated Statements of Activities, Continued

Years ended June 30, 2018 and 2017
(With consolidating information for 2018)
(Dollars in thousands)

| | 2018 | | | | | 2017 | | |
|--|----------------|----------------------------|-----------------------------|---------------------------|--------|---|-----------------------|-----------------------|
| | UJA-Federation | Jewish Communal Fund | Grass Funds | Related Entities (Note 1) | | Consolidation and Elimination Items | Consolidated Total | Consolidated Total |
| | | | Supporting Organizations | Other Entities | | | | |
| Changes in temporarily restricted net assets: | | | | | | | | |
| Annual/special giving (note 3): | | | | | | | | |
| Annual giving contributions | \$ 17,001 | - | - | - | - | (1,391) | 15,610 | 8,767 |
| Special giving contributions | 45,857 | 63 | - | - | - | (1,923) | 43,997 | 33,164 |
| Less provision for uncollectible contributions, net of prior years' recoveries | (125) | - | - | - | - | - | (125) | (219) |
| Net contributions – annual/special giving | 62,733 | 63 | - | - | - | (3,314) | 59,482 | 41,712 |
| Legacies and bequests | 1,079 | - | - | - | - | - | 1,079 | 485 |
| Split-interest agreements (note 3) | 5 | - | - | - | - | - | 5 | 5 |
| Change in value of split-interest agreements (note 3) | 58 | - | - | - | - | - | 58 | 94 |
| Donated goods and services | 531 | - | - | - | - | - | 531 | - |
| Net investment gain (loss) | 956 | - | - | - | - | - | 956 | (1,364) |
| Net appreciation in fair value of investments | 39,583 | - | - | - | - | - | 39,583 | 61,993 |
| Changes of donor's designation | - | - | - | - | - | - | - | 2,863 |
| Net assets released from restrictions | (55,950) | (104) | (3,132) | - | - | - | (59,186) | (90,799) |
| Increase (decrease) in temporarily restricted net assets | 48,995 | (41) | (3,132) | - | - | (3,314) | 42,508 | 14,989 |
| Changes in permanently restricted net assets: | | | | | | | | |
| Endowment contributions (note 7) | 3,186 | - | - | - | - | (1,050) | 2,136 | 1,573 |
| Legacies and bequests (note 7) | 634 | - | - | - | - | - | 634 | 3,129 |
| Split-interest agreements (Note 3) | 519 | - | - | - | - | - | 519 | - |
| Change in value of split-interest agreements (notes 3 and 7) | 1,271 | - | - | - | - | - | 1,271 | 1,602 |
| Changes of donor's designation | (68) | - | - | - | - | - | (68) | (2,863) |
| Increase (decrease) in permanently restricted net assets | 5,542 | - | - | - | - | (1,050) | 4,492 | 3,441 |
| Increase (decrease) in net assets | 64,622 | 96,084 | (701) | 1,817 | 2,216 | (1,958) | 162,080 | 223,738 |
| Net assets at beginning of year | 1,180,117 | 1,550,554 | 64,948 | 51,817 | 49,836 | (47,235) | 2,850,037 | 2,626,299 |
| Net assets at end of year | \$ 1,244,739 | 1,646,638 | 64,247 | 53,634 | 52,052 | (49,193) | 3,012,117 | 2,850,037 |

See accompanying notes to consolidated financial statements.

UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES

Consolidated Statements of Cash Flows
Years ended June 30, 2018 and 2017
(dollars in thousands)

| | 2018 | 2017 |
|---|------------------|-----------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 162,080 | 223,738 |
| Adjustments to reconcile increase in net assets to net cash used in by operating activities: | | |
| Postretirement benefit changes not included in net periodic benefit cost | (206) | (654) |
| Depreciation, depletion, and amortization | 4,713 | 5,085 |
| Net appreciation in fair value of investments | (138,192) | (212,332) |
| Contributions restricted for long-term investment and capital projects | (19,270) | (4,702) |
| Provision for uncollectible contributions and other receivables | 7,992 | 7,996 |
| Contributions and change in value of charitable trust agreements | (3,000) | (1,841) |
| Noncash transactions | (3,956) | (735) |
| Changes in assets and liabilities: | | |
| Increase in contributions receivable | (17,721) | (33,993) |
| Increase in other assets and receivables | (16,547) | (8,084) |
| Increase in accounts payable, accrued expenses, and other liabilities | 4,434 | 4,276 |
| Increase in grants payable | 3,176 | 994 |
| Decrease in accrued postretirement benefits | (49) | (57) |
| Net cash used in by operating activities | (16,546) | (20,309) |
| Cash flows from investing activities: | | |
| Purchases of investments | (2,205,543) | (3,301,870) |
| Proceeds from sales of investments | 2,224,309 | 3,242,421 |
| Proceeds from sale of property held subject to life interest | - | 47,964 |
| Decrease in mortgage and school loans receivable, net | 312 | 1,291 |
| Increase in other loans receivable, included in other assets and receivables | (3,592) | (2,896) |
| Acquisition of fixed and other assets, net | (7,618) | (1,419) |
| Net cash provided by (used in) investing activities | 7,868 | (14,509) |
| Cash flows from financing activities: | | |
| Net proceeds from issuance of long-term debt | - | 34,628 |
| Repayment of long-term debt | (2,240) | (2,160) |
| Contributions restricted for long-term investment and capital projects | 8,079 | 4,711 |
| Expiration of charitable trust agreements | 4,439 | 478 |
| (Decrease) increase in liability under annuity agreements, net of payments to annuitants | (1,563) | 100 |
| Net cash provided by financing activities | 8,715 | 37,757 |
| Net increase in cash | 37 | 2,939 |
| Cash at beginning of year | 19,959 | 17,020 |
| Cash at end of year | \$ 19,996 | 19,959 |
| Supplemental data: | | |
| Noncash operating activities: | | |
| Contribution(s) of: | | |
| Securities/Equity interests | 1,619 | - |
| State of Israel Bonds | 1,859 | 1,877 |
| Other income and expense | 478 | (1,142) |
| Total noncash operating activities | \$ 3,956 | 735 |
| Real estate taxes paid | \$ 1,005 | 947 |
| Interest paid | \$ 2,850 | 2,160 |

See accompanying notes to consolidated financial statements.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements
June 30, 2018 and 2017
(Dollars in thousands)

(1) Organization

United Jewish Appeal-Federation of Jewish Philanthropies of New York, Inc. (UJA-Federation) cares for Jews everywhere and New Yorkers of all backgrounds, responds to crises close to home and far away, and shapes the Jewish future.

UJA-Federation pursues its mission by providing financial support to a network of hundreds of nonprofits large and small, including major health and human service agencies; community centers and camps; agencies that support Jewish education; and a dozen national and international agencies – as well as numerous other not-for-profit institutions in New York and Israel. UJA-Federation also serves an important communal planning function by identifying new issues facing the Jewish community and mobilizing institutions and resources to address those issues. Many of UJA-Federation’s network institutions provide services to the wider general community as well as to the Jewish community.

To support these activities, UJA-Federation conducts an annual campaign that raises both unrestricted funds and funds for specific targeted purposes. UJA-Federation also raises funds from legacies, bequests, and other planned gifts. From time to time, UJA-Federation also conducts special campaigns to respond to particular situations such as terrorism and war in Israel, and major natural disasters, and to raise capital and other funds for its affiliated agencies, Jewish day schools and its own needs.

UJA-Federation is a publicly supported not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the Code); accordingly, it is exempt from federal income taxation.

The following is a description of the related entities included with UJA-Federation in the accompanying consolidated financial statements (collectively, the Organization):

Jewish Communal Fund – The Jewish Communal Fund (JCF) was established to advance the philanthropic objectives of the Jewish community through the establishment of donor-advised philanthropic funds. JCF extends to donors the privilege of recommending grants from their philanthropic funds to the qualified charities of their choice and is committed to facilitating its donors’ philanthropic goals. JCF is a publicly supported organization exempt from income taxes under Section 501(c)(3) of the Code.

UJA-Federation is the sole member of JCF. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-810, *Not-for-Profit Entities – Consolidation*, sole corporate membership of one not-for-profit organization in another shall be considered a controlling financial interest. Accordingly, JCF is consolidated with UJA-Federation.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(1), Continued

Gruss Funds – The Caroline and Joseph S. Gruss Life Monument Funds, Inc. (Gruss) is a tax-exempt organization under Section 501(c)(3) of the Code and is a supporting organization of UJA-Federation under Section 509(a)(3) of the Code. Gruss provides a wide range of education-related scholarships, grants, and awards for the benefit of students and teachers, and support for a variety of other Jewish community activities. Gruss is included in UJA-Federation’s consolidated financial statements because a majority of Gruss’ board of directors is required by its charter to be individuals who participate in the control or management of UJA-Federation by virtue of being a trustee, officer, executive employee, or holder of another important office in UJA-Federation, and the net assets of Gruss would revert to UJA-Federation in the event of dissolution of Gruss. Amounts presented for Gruss are as of and for the year ended December 31, 2017.

Supporting Organizations – UJA-Federation receives support from 30 other supporting organizations. These supporting organizations are organized to carry out the exempt purposes of UJA-Federation under Section 509(a)(3) of the Code. These organizations are included in the accompanying consolidated financial statements because UJA-Federation appoints a majority of the members of their boards of directors and the net assets of each foundation would revert to UJA-Federation upon dissolution.

The assets and revenue of JCF, Gruss, and the supporting organizations are not available to meet the liabilities or obligations of UJA-Federation or any other entity included in the consolidated financial statements, except for each of these entities’ own liabilities and obligations.

Other Entities – Other entities include two title holding companies, organized under Section 501(c)(2) of the Code. One of these entities holds a condominium unit in the building in New York City utilized by UJA-Federation as its headquarters. The other 501(c)(2) organization holds interests in real property gifted to UJA-Federation. UJA-Federation continues to operate these properties until eventual sale. In addition, other entities include a 501(c)(3) organization established for specialized charitable purposes and a captive insurance company established to benefit UJA-Federation and affiliated agencies.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(2) Summary of Significant Accounting Policies and Related Matters

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the consolidated financial statements to the reader.

Consolidated Financial Statement Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting. All significant interorganization balances have been eliminated in consolidation.

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions but may be restricted by the Board. Contributions that permit the Organization to vary the terms of the gift are classified as unrestricted net assets.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that stipulate that the principal be maintained permanently by the Organization, but permit the Organization to expend part or all of the income derived therefrom.

Revenue and gains and losses on investments and other assets, with the exception of that described in the next sentence, are reported as changes in unrestricted net assets unless use of the related assets is limited by explicit donor-imposed restrictions or by law. Gains on investments of temporarily restricted net assets increase temporarily restricted net assets and any losses decrease temporarily restricted net assets, if available. Otherwise, losses on temporarily restricted net assets decrease unrestricted net assets. Investment return on permanently restricted net assets is classified as temporarily restricted until appropriated for expenditure. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as net assets released from restrictions.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(2), Continued

Accounting Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include allowances for uncollectible receivables, the present value of multiyear contributions receivable, the valuation of alternative investments, actuarial assumptions, estimated rental value of property owned and leased to grantees, and the allocation of expenses to functional classifications.

New Authoritative Accounting Pronouncements

The FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which among other things, changes how not-for profit entities report net asset classes, expenses and liquidity in their financial statements. The significant requirements of the new ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the Consolidated Balance Sheet; and retaining the option to present operating cash flows in the Consolidated Statements of Cash Flows using either the direct or indirect method. The Organization plans to adopt ASU 2016-14 for the fiscal year ending June 30, 2019.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods or services. Additional disclosure is required to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for the fiscal year ending June 30, 2019. The Organization is currently evaluating the impact of adopting ASU 2014-19 and plans on implementing the ASU for the fiscal year ending June 30, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the guidance for contributions received and contribution made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(2), Continued

other guidance and (2) determining whether a contribution is conditional. The Organization is currently evaluating the impact of adopting ASU 2018-08 and plans on implementing the ASU for the fiscal year ending June 30, 2019.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which require lessees to recognize a lease liability and a right of use asset for all lease obligations with exception for short-term leases. The lease liability will represent the lessee's obligation to make lease payments arising from the lease measured on a discounted basis and the right of use asset will represent the lessee's right to use or control the use of a specified asset for a lease term. ASU 2016-02 is effective for the fiscal year ending June 30, 2020. The Organization is currently evaluating the impact of adopting ASU 2016-02 on its financial statements.

Contributions

Contributions, including unconditional promises to give, are reported initially at fair value as revenue in the period received.

Contributions receivable are reported at their net present value less an allowance for estimated uncollectible amounts. The allowance is determined by reviewing historical collectability trends and analyses of specific receivable balances. Contributions to be received after one year are discounted at a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

Contributions of publicly traded securities are recorded at their fair value at the time of donation, except for State of Israel Bonds, which are recorded at their face value at the time of receipt. It is UJA-Federation's policy generally to convert contributions of marketable securities to cash upon receipt of the security, except for State of Israel Bonds. Other noncash contributions are converted to cash as soon as practicable and prudent, and are recorded at their estimated fair value at the time of donation.

Investments and Fair Value

The Organization follows the provisions of ASC Topic 820, *Fair Value Measurement* (ASC 820). The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes and ranks the level of market price observability used in measuring fair value. Valuation methods based upon inputs with readily available quoted or published prices in active markets for identical assets or liabilities (Level 1 measurements) will have a higher degree of market price observability and a lesser degree of judgment used in

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(2), Continued

determining fair value than the lowest priority measurements involving significant unobservable inputs (Level 3 measurements).

Investments that do not have readily determinable fair values, including private equity investments, hedge funds, real estate funds, and other funds are measured using the net asset value (NAV) per share or its equivalent practical expedient, as reported by the investment managers and reviewed by management for reasonableness.

Cost approximates fair value for short-term and money market instruments. Investments in marketable equity and debt securities/funds are presented at fair value based on quoted or published market prices. State of Israel Bonds are carried at face value. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on the trade date.

The methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Organization 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 instruments could result in a different fair value measurement at the reporting date.

Risks and Uncertainties

The Organization may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. 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 such changes could materially affect the amounts reported in the consolidated financial statements.

Depreciation

Fixed assets for UJA-Federation and other entities are depreciated using the straight-line method over the estimated useful lives of the asset as follows:

| | |
|-------------------------------------|----------------|
| Buildings and building improvements | 10 to 40 years |
| Furniture and equipment | 3 to 5 years |

Equipment relating to the investment in oil and gas properties is depreciated using the 200% declining-balance method over an estimated useful life of five years.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(2), Continued

Grant Expense and Commitments

Grant expense and liability are recognized in the year the award is approved by the board of directors and the grant recipient is notified.

Income Taxes

The Organization follows the provisions of ASC Subtopic 740-10, *Income Taxes – Overall* (ASC 740-10), relating to uncertainty in income taxes. For the Organization, ASC 740-10 is primarily applicable to the incurrence of unrelated business income tax attributable to certain of its investments. ASC 740-10 establishes a minimum threshold for financial statement recognition of the benefits of positions taken, or expected to be taken, in filing tax returns. It requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization’s income tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the “more-likely-than-not” threshold are recorded as tax expense. There are no tax positions not deemed to meet the “more-likely-than-not” threshold.

Subsequent Events

The Organization evaluated events subsequent to June 30, 2018 and through November 28, 2018, the date on which the consolidated financial statements were issued, and determined that no additional disclosures were required.

Reclassifications

Certain reclassifications of 2017 amounts have been made to conform to the 2018 presentation.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the accompanying consolidated financial statements and the following notes.

(3) Campaigns

A description of the various campaigns of UJA-Federation and other income sources is as follows:

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(3), Continued

Unrestricted Annual Campaign

The Unrestricted Annual Campaign is a 12-month campaign that coincides with UJA-Federation's fiscal year. This campaign is the main source of funding for unrestricted grants and UJA-Federation's operating budget. UJA-Federation also receives unrestricted contributions for use domestically, overseas, or in Israel.

Targeted Campaigns (Temporarily Restricted Annual/Special Giving)

Targeted Campaigns are those that have been established from time to time to raise funds to address particular needs. These have included special initiatives to assist those suffering economic dislocation due to the recession, support Jewish residential hospice care in the New York area, alleviate poverty, expand Jewish camping, promote senior aid, enable home care, and assemble a community initiative for Holocaust survivors that helps provide frail, elderly survivors of Nazi persecution with home care, counseling, cash assistance, and contact with a caring community.

Capital and Special Initiatives Campaign

In cooperation with its domestic affiliated agencies, Jewish day schools, and certain overseas organizations, UJA-Federation conducts a Capital and Special Initiatives Campaign to fund capital improvements and programmatic endowments. Most of these contributions are directed to other agencies. Capital and Special Initiatives Campaign contributions intended for the benefit of UJA-Federation and recorded as revenue for the years ended June 30, 2018 and 2017 were \$27,453 and \$28,451, respectively. Capital and Special Initiatives Campaign contributions intended for the benefit of others for the years ended June 30, 2018 and 2017 amounted to \$8,613 and \$6,409, respectively, and are a component of amounts raised on behalf of others in the accompanying consolidated statements of activities.

Planned Giving and Endowments

UJA-Federation enters into agreements with donors to accept and administer charitable gift annuities and charitable remainder trusts, the beneficiaries of which include UJA-Federation and/or affiliated agencies. Generally, UJA-Federation manages and invests these assets on behalf of these beneficiaries until the agreement expires and the assets are distributed.

During fiscal years 2018 and 2017, UJA-Federation entered into split-interest agreements consisting of charitable gift annuities and charitable remainder trusts of \$2,689 and \$2,353, respectively. Such split-interest agreements provide for payments, to the donors or their beneficiaries, based upon either the

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(3), Continued

income earned on related investments or specified annuity amounts. Assets held under charitable gift annuities are included in investments, and assets held under charitable remainder trusts are reflected separately in the accompanying consolidated balance sheets. Contribution revenue is recognized at the date the trust or annuity contract is established after recording liabilities for the present value of the estimated future payments expected to be made to the donors and/or other beneficiaries. The liabilities are adjusted annually for changes in the life expectancy of the income beneficiary, amortization of the discount, and other changes in the estimates of future payments. Such adjustments are reported as change in value of split-interest agreements in the accompanying consolidated statements of activities.

(4) Contributions Receivable

Contributions receivable consist of the following at June 30, 2018 and 2017:

| | 2018 | 2017 |
|---|------------|-----------|
| Amounts expected to be collected within: | | |
| One year | \$ 112,864 | \$ 92,808 |
| One to ten years | 12,272 | 12,549 |
| Thereafter | 25,256 | 25,613 |
| | 150,392 | 130,970 |
| Less discount to present value (ranging from 3.5% to 6.25%) | (13,380) | (14,100) |
| Less allowance for estimated uncollectible amounts | (17,434) | (18,212) |
| | \$ 119,578 | \$ 98,658 |

Contributions receivable include legacies receivable (net) of \$10,911 and \$18,438 at June 30, 2018 and 2017, respectively.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(5) Fair Value

The fair value hierarchy under the fair value measurement provisions of ASC 820, which prioritizes the inputs to valuation techniques used to measure fair value, are as follows:

Level 1: Valuations are based on observable inputs that reflect quoted market or published prices in active markets for identical assets and liabilities at the reporting date. The types of investments and other assets included in Level 1 consist of exchange-traded equity securities and debt, short-term money market funds, and actively traded obligations issued by the U.S. government.

Level 2: Valuations are based on either (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, or (3) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3: Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability.

Alternative investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. The NAV reported by each fund is used as a practical expedient to estimate the fair value of the Organization's interest therein. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(5), Continued

The following tables summarize the fair value of the Organization's assets at June 30, 2018 and 2017, in accordance with the ASC 820 fair value hierarchy levels:

| | 2018 | | | Total |
|---|--------------|---------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | |
| <u>Assets:</u> | | | | |
| Investments: | | | | |
| Short-term and money market instruments | \$ 520,115 | 22,001 | – | 542,116 |
| U.S. government and agency obligations/municipal bonds | 26,121 | 75,955 | – | 102,076 |
| State of Israel Bonds | – | – | 15,467 | 15,467 |
| Alternative investments: | | | | |
| Long/short equities | 12,095 | – | – | 12,095 |
| Private equity | – | – | 2,089 | 2,089 |
| Real estate | – | – | 500 | 500 |
| Other | – | – | 3 | 3 |
| Total alternative investments | 12,095 | – | 2,592 | 14,687 |
| Equity securities/funds | 946,007 | 1,756 | – | 947,763 |
| Debt securities/funds | 114,891 | 181,957 | 925 | 297,773 |
| | 1,619,229 | 281,669 | 18,984 | 1,919,882 |
| Investments measured at NAV (or its equivalent) | | | | |
| Equity funds | | | | 182,626 |
| Multi-strategy hedge funds | | | | 290,195 |
| Long/short equities | | | | 243,416 |
| Private equity | | | | 154,318 |
| Real estate | | | | 10,488 |
| Other | | | | 8,562 |
| Total investments measured at NAV (or its equivalent) | | | | 889,605 |
| Total investments | 1,619,229 | 281,669 | 18,984 | 2,809,487 |
| Other assets, including unexpended bond proceeds (note 9) | | | | |
| | 96,213 | – | – | 96,213 |
| Assets held under charitable trust agreements | 33,900 | – | – | 33,900 |
| Total assets | \$ 1,749,342 | 281,669 | 18,984 | 2,939,600 |

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(5), Continued

| | 2017 | | | Total |
|--|--------------|---------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | |
| <u>Assets:</u> | | | | |
| Investments: | | | | |
| Short-term and money market instruments | \$ 494,707 | 37,522 | – | 532,229 |
| U.S. government and agency obligations/municipal bonds | 36,353 | 93,586 | – | 129,939 |
| State of Israel Bonds | – | – | 15,515 | 15,515 |
| Alternative investments: | | | | |
| Long/short equities | 9,342 | – | – | 9,342 |
| Private equity | – | – | 4,584 | 4,584 |
| Other | – | – | 7 | 7 |
| Total alternative investments | 9,342 | – | 4,591 | 13,933 |
| Equity securities/funds | 841,970 | 1,275 | – | 843,245 |
| Debt securities/funds | 139,569 | 191,662 | 925 | 332,156 |
| | 1,521,941 | 324,045 | 21,031 | 1,867,017 |
| Investments measured at NAV (or its equivalent) | | | | |
| Equity funds | | | | 168,487 |
| Multi-strategy hedge funds | | | | 277,109 |
| Long/short equities | | | | 231,790 |
| Private equity | | | | 115,146 |
| Real estate | | | | 14,787 |
| Other | | | | 6,687 |
| Total investments measured at NAV (or its equivalent) | | | | 814,006 |
| Total investments | 1,521,941 | 324,045 | 21,031 | 2,681,023 |
| Other assets, including unexpended bond proceeds (note 9) | 92,422 | – | – | 92,422 |
| Assets held under charitable trust agreements | 37,409 | – | – | 37,409 |
| Total assets | \$ 1,651,772 | 324,045 | 21,031 | 2,810,854 |

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(5), Continued

The following tables summarize the fair value of only UJA-Federation's assets at June 30, 2018 and 2017, in accordance with the ASC 820 fair value hierarchy levels:

| | 2018 | | | Total |
|--|-------------------|----------|---------------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| <u>Assets:</u> | | | | |
| Investments: | | | | |
| Short-term and money market instruments | \$ 85,204 | – | – | 85,204 |
| U.S. government and agency obligations/municipal bonds | 24,494 | – | – | 24,494 |
| State of Israel Bonds | – | – | 13,652 | 13,652 |
| Alternative investments: | | | | |
| Real estate | – | – | 500 | 500 |
| Other | – | – | 3 | 3 |
| Equity securities/funds | 233,359 | – | 21,843 (a) | 255,202 |
| Debt securities/funds | 39,675 | – | – | 39,675 |
| | <u>382,732</u> | <u>–</u> | <u>35,998</u> | <u>418,730</u> |
| Investments measured at NAV (or its equivalent) | | | | |
| Equity funds | | | | 202,098 |
| Multi-strategy hedge funds | | | | 236,115 |
| Long/short equities | | | | 95,861 |
| Private equity | | | | 118,364 |
| Real estate | | | | 10,155 |
| Other | | | | 8,193 |
| Total investments measured at NAV (or its equivalent) | | | | <u>670,786</u> |
| Total investments | <u>382,732</u> | <u>–</u> | <u>35,998</u> | <u>1,089,516</u> |
| Unexpended bond proceeds | 34,503 | – | – | 34,503 |
| Assets held under charitable trust agreements | 33,900 | – | – | 33,900 |
| Total assets | <u>\$ 451,135</u> | <u>–</u> | <u>35,998</u> | <u>1,157,919</u> |

(a) Represents an investment in a title holding company that holds a condominium unit in the building utilized by UJA-Federation as its headquarters (see "Other Entities" in note 1) and eliminated in consolidation.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(5), Continued

| | 2017 | | | Total |
|---|-------------------|----------|---------------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| <u>Assets:</u> | | | | |
| Investments: | | | | |
| Short-term and money market instruments | \$ 72,681 | – | – | 72,681 |
| U.S. government and agency obligations/municipal bonds | 33,919 | – | – | 33,919 |
| State of Israel Bonds | – | – | 13,674 | 13,674 |
| Alternative investments: | | | | |
| Other | – | – | 7 | 7 |
| Equity securities/funds | 248,861 | – | 21,843 (a) | 270,704 |
| Debt securities/funds | 39,143 | – | – | 39,143 |
| | <u>394,604</u> | <u>–</u> | <u>35,524</u> | <u>430,128</u> |
| Investments measured at NAV (or its equivalent) | | | | |
| Equity funds | | | | 186,009 |
| Multi-strategy hedge funds | | | | 224,588 |
| Long/short equities | | | | 95,110 |
| Private equity | | | | 98,431 |
| Real estate | | | | 14,205 |
| Other | | | | 6,375 |
| Total investments measured at NAV (or its equivalent) | | | | <u>624,718</u> |
| Total investments | <u>394,604</u> | <u>–</u> | <u>35,524</u> | <u>1,054,846</u> |
| Unexpended bond proceeds | 34,660 | – | – | 34,660 |
| Assets held under charitable trust agreements | 37,409 | – | – | 37,409 |
| Total assets | <u>\$ 466,673</u> | <u>–</u> | <u>35,524</u> | <u>1,126,915</u> |

(a) Represents an investment in a title holding company that holds a condominium unit in the building utilized by UJA-Federation as its headquarters (see “Other Entities” in note 1) and eliminated in consolidation.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(6) Investments

The fair value of the Organization's investments at June 30, 2018 and 2017 consists of the following:

| | 2018 | | | | | Total |
|---|---------------------|------------------|----------------|--|---|------------------|
| | UJA- Federation | JCF | Gross Funds | Supporting Organizations and Other Entities | Consolidation and Elimination Items | |
| Short-term and money market instruments | \$ 85,204 | 441,112 | 8,556 | 7,244 | – | 542,116 |
| U.S. government and agency obligations/municipal bonds | 24,494 | 75,955 | – | 1,627 | – | 102,076 |
| State of Israel Bonds | 13,652 | 1,400 | – | 415 | – | 15,467 |
| Alternative investments: | | | | | | |
| Multi-strategy hedge funds | 236,115 | 16,001 | 27,180 | 10,899 | – | 290,195 |
| Long/short equities | 95,861 | 142,138 | 13,191 | 4,321 | – | 255,511 |
| Private equity | 118,364 | 28,235 | 4,496 | 5,312 | – | 156,407 |
| Real estate | 10,655 | – | – | 333 | – | 10,988 |
| Other | 8,196 | – | – | 369 | – | 8,565 |
| Total alternative investments | 469,191 | 186,374 | 44,867 | 21,234 | – | 721,666 |
| Equity securities/funds | 457,300 | 684,903 | 12,801 | 24,578 | (49,193) | 1,130,389 |
| Debt securities/funds | 39,675 | 255,763 | – | 2,335 | – | 297,773 |
| Total investments | <u>\$ 1,089,516</u> | <u>1,645,507</u> | <u>66,224</u> | <u>57,433</u> | <u>(49,193)</u> | <u>2,809,487</u> |

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(6), Continued

| | 2017 | | | | | |
|---|---------------------|------------------|----------------|--|---|------------------|
| | UJA- Federation | JCF | Gross Funds | Supporting Organizations and Other Entities | Consolidation and Elimination Items | Total |
| Short-term and money market instruments | \$ 72,681 | 435,436 | 21,543 | 2,569 | – | 532,229 |
| U.S. government and agency obligations/municipal bonds | 33,919 | 93,586 | – | 2,434 | – | 129,939 |
| State of Israel Bonds | 13,674 | 1,391 | – | 450 | – | 15,515 |
| Alternative investments: | | | | | | |
| Multi-strategy hedge funds | 224,588 | 15,668 | 25,465 | 11,388 | – | 277,109 |
| Long/short equities | 95,110 | 129,141 | 12,221 | 4,660 | – | 241,132 |
| Private equity | 98,431 | 14,088 | 2,479 | 4,732 | – | 119,730 |
| Real estate | 14,205 | – | – | 582 | – | 14,787 |
| Other | 6,382 | – | – | 312 | – | 6,694 |
| Total alternative investments | 438,716 | 158,897 | 40,165 | 21,674 | – | 659,452 |
| Equity securities/funds | 456,713 | 570,019 | 6,147 | 26,088 | (47,235) | 1,011,732 |
| Debt securities/funds | 39,143 | 290,301 | – | 2,712 | – | 332,156 |
| Total investments | <u>\$ 1,054,846</u> | <u>1,549,630</u> | <u>67,855</u> | <u>55,927</u> | <u>(47,235)</u> | <u>2,681,023</u> |

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(6), Continued

The Organization's alternative investments are diversified across five basic investment strategies, as follows:

Multi-strategy hedge funds – Represent investments in hedge funds that vary exposure to markets and strategies based on opportunities due to temporary dislocations or structural inefficiencies. Strategies include event driven and long/short equity and credit, distressed securities, and merger and other arbitrage.

Long/short equities – Represent investments in hedge funds that primarily invest long and short in global, liquid equities, attempting to realize gains through the identification of mispriced securities.

Private equity – Represents investments in buyout and venture capital funds. Private equity buyout funds purchase significant equity stakes in established companies with the goal of increasing value through financial, operational, and strategic changes. Venture capital funds provide capital and professional expertise to early-stage businesses in exchange for equity ownership with the potential for significant growth and value creation.

Real estate – Represents investments in funds that focus on the purchase and development, improvement, and management of residential, commercial, and industrial real estate with potential value realization through both rental income and gains from property sales.

Other – Represents investments in funds that do not fall into the aforementioned categories. Strategies include investments in funds that invest in real assets (other than real estate) and investment in funds that invest in private credit.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(6), Continued

Multi-strategy hedge funds and long/short equity investments contain various monthly, quarterly, semiannual, and annual redemption restrictions with required written notice ranging from 1 to 180 days. In addition, certain of these investments are restricted by initial lock-up periods and may contain private investments that are not redeemable within the next year or are presently in liquidation, awaiting final redemption proceeds. As of June 30, 2018, the following table summarizes the composition of \$545,706 at fair value of such investments by the various redemption provisions and lock-up/liquidation periods:

| Redemption Period | UJA- Federation | JCF | Gross Funds | Supporting Organizations and Other Entities | Total |
|-------------------------|--------------------|----------------|----------------|--|----------------|
| Weekly | \$ – | – | 12,095 | – | 12,095 |
| Monthly | 23,884 | 2,025 | – | 1,077 | 26,986 |
| Quarterly | 93,839 | 143,881 | 28,276 | 4,483 | 270,479 |
| Semiannual | 159,672 | 10,265 | – | 7,198 | 177,135 |
| Annual | 28,581 | – | – | 1,289 | 29,870 |
| Lockup/ liquidation (a) | 26,000 | 1,968 | – | 1,173 | 29,141 |
| Total | \$ 331,976 | 158,139 | 40,371 | 15,220 | 545,706 |

(a) The amount subject to redemption lock-up or in liquidation is set to expire or expected to be received as follows:

| Redemption Period | UJA- Federation | JCF | Gross Funds | Supporting Organizations and Other Entities | Total |
|----------------------|--------------------|--------------|-------------|--|---------------|
| 2019 | \$ – | 1,968 | – | – | 1,968 |
| 2020 | 17,724 | – | – | 799 | 18,523 |
| 2021 and thereafter | 8,276 | – | – | 374 | 8,650 |
| Total | \$ 26,000 | 1,968 | – | 1,173 | 29,141 |

The Organization's private equity and real estate limited partnership and limited liability company interests are generally for ten-year terms, with extensions of one to two years with exception of one related entity which holds certain investments for the duration of the funds. These investments also contain minimum subscription or capital commitments. The Organization's unfunded capital commitments approximated \$255,000 and \$129,000 at June 30, 2018 and 2017, respectively. The Organization maintains sufficient liquidity in its investment portfolio to cover such capital commitments.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(6), Continued

UJA-Federation's investments in equity securities/funds at June 30, 2018 and 2017 comprise the following:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| Domestic (publicly traded): | | |
| Large-cap | \$ 40,372 | \$ 37,134 |
| Mid-cap | 77,734 | 106,316 |
| Small-cap | 27,380 | 29,785 |
| Total domestic | <u>145,486</u> | <u>173,235</u> |
| Emerging markets | 58,118 | 53,633 |
| Global publicly traded | 79,477 | 61,517 |
| International funds (underlying – publicly traded) | 125,026 | 121,093 |
| Investment in consolidated entities | 49,193 | 47,235 |
| | <u>\$ 457,300</u> | <u>\$ 456,713</u> |

JCF's investments in equity securities/funds and debt securities/funds at June 30, 2018 and 2017 comprise the following:

| | <u>2018</u> | | <u>2017</u> | |
|--|-------------------|----------------|-------------------|----------------|
| | <u>Equities</u> | <u>Debt</u> | <u>Equities</u> | <u>Debt</u> |
| Domestic/international common stock | \$ 94,340 | – | \$ 84,210 | – |
| Equity mutual funds | 590,563 | – | 485,809 | – |
| Domestic/international corporate bonds | – | 123,752 | – | 135,734 |
| Fixed-income mutual funds | – | 73,071 | – | 97,856 |
| Asset-backed securities | – | 45,897 | – | 21,435 |
| Commercial mortgage-backed securities | – | 12,118 | – | 34,351 |
| Private corporate bonds | – | 925 | – | 925 |
| | <u>\$ 684,903</u> | <u>255,763</u> | <u>\$ 570,019</u> | <u>290,301</u> |

UJA-Federation's investment in charitable gift annuity funds includes a segregated investment account, which is maintained in compliance with New York State Insurance Law. The balance of this account was \$33,094 and \$32,841 at June 30, 2018 and 2017, respectively.

Investment income is reported net of related expenses, such as custodial fees and investment management costs. For the years ended June 30, 2018 and 2017, the Organization's investment expenses were \$11,119 and \$9,569, respectively.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(7) Endowment Funds

The endowment for UJA-Federation, totaling \$979,826 at June 30, 2018, consists of 522 individual funds representing all permanently restricted net assets (notes 2 and 15) and those temporarily restricted (notes 2 and 14) and board-designated net assets (note 13) subject to its spending policy.

UJA-Federation follows the provisions of the *New York Prudent Management of Institutional Funds Act* (NYPMIFA). Among other things, NYPMIFA provides a standard of organizational conduct for managing and delegating authority with respect to “institutional funds” and rules for appropriations from these funds. An endowment fund is defined as a type of institutional fund that, under the terms of the gift instrument, is not entirely expendable by an institution on a current basis. However, unlike prior law in which an institution could appropriate for expenditure only a prudent portion of any appreciation in the endowment fund over the original dollar value, NYPMIFA allows an institution to appropriate or accumulate so much of the donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the fund is established, subject to the intent of the donor as expressed in the gift instrument, absent explicit donor stipulations to the contrary. In compliance with NYPMIFA, the board of directors of UJA-Federation considers the following factors in managing and investing its endowment funds (the Funds):

- 1) The duration and preservation of the Funds
- 2) The purposes of UJA-Federation and the donor-restricted endowment Funds
- 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 UJA-Federation
- 7) Alternatives to expenditure of the Funds, giving due consideration to the effect such alternatives may have on UJA-Federation
- 8) The investment policy of UJA-Federation

Although NYPMIFA changed the concept of “historic dollar value” for spending from endowment funds in certain circumstances, UJA-Federation continues to classify the corpus of donor-restricted endowment funds as permanently restricted net assets. Accounting guidance associated with the enactment of NYPMIFA as set forth in ASC Topic 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject To UPMIFA* (Uniform Prudent Management of Institutional Funds Act), requires the portion of donor-restricted endowment funds that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standards of prudence required by NYPMIFA. Investment return on such permanently restricted net assets is classified as temporarily restricted.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(7), Continued

The provisions of NYPMIFA contain a “rebuttable presumption of imprudence” if expenditures in any given year from a fund are greater than 7.0% of its fair market value, determined at least quarterly and averaged over a period of not less than five years immediately preceding the year of appropriation. UJA-Federation utilizes a Total Return Spending Rate Policy (the Spending Rate). A spending rate is applied to a rolling 12-quarter average of endowment net assets and an additional amount is spent from legacies and bequests received during a fiscal year. Any legacies and bequests received during a fiscal year in excess of the budgeted approved amount are added to the endowment. If legacies and bequests received in a fiscal year are less than that amount, the shortfall is borrowed from the endowment and repaid in subsequent years. The overall endowment-spending amount is reviewed by management and approved by the board of directors to ensure compliance with NYPMIFA. Effective July 1, 2017, the board of directors approved a reduction in the spending rate from 5.0% to 4.5% ratably over a five-year period and a reduction in the legacies and bequest policy from \$20 million to \$17 million over a three-year period. For fiscal years ended June 30, 2018 and 2017, the spending rate was 4.9% and 5% and the legacies and bequests policy was \$19 million and \$20 million, respectively.

UJA-Federation’s approved *Investment Policy Statement* defines the endowment’s investment objectives, return and risk parameters, asset allocation targets and ranges, benchmark performance measurement and evaluation, and procedures for compliance with NYPMIFA. The long-term investment objective is to target superior risk-adjusted capital appreciation with a net return that at least equals the Consumer Price Index plus the Spending Rate in order to preserve and enhance the endowment’s real value. Strategic asset allocation targets and ranges are reviewed periodically with the intention of setting them at a level that will allow for the achievement of the long-term objective while taking an appropriate level of risk through diversification.

JCF

JCF has a board-designated endowment fund totaling \$18,494 at June 30, 2018, where grants are recommended by the board of trustees. JCF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs that meet the needs of the Jewish community, at home and abroad, while seeking to maintain the purchasing power of the endowment assets. JCF has a policy of appropriating for distribution a percentage of its endowment fund’s average fair value over the prior 12 quarters through the calendar year-end that precedes the fiscal year in which the distribution is planned. The spending rate was 5% for fiscal years ended June 30, 2018 and 2017. JCF expects its endowment funds, over time, to provide an average rate of return that exceeds the S&P 500 Index. To satisfy this long-term investment objective, JCF relies on a total-return strategy in which investment returns are achieved through both capital appreciation and current income. JCF targets a diversified asset allocation with prudent risk constraints.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(7), Continued

The composition of UJA-Federation's and JCF's endowment, by net asset class, at June 30, 2018 and 2017 is as follows:

| | 2018 | | | Total |
|---------------------------------|-------------------|------------------------|------------------------|----------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| UJA-Federation: | | | | |
| Endowment – income restricted | \$ – | 280,847 | 149,132 | 429,979 |
| Endowment – income unrestricted | – | 64,975 | 113,481 | 178,456 |
| Board designated | 371,391 | – | – | 371,391 |
| Total | <u>\$ 371,391</u> | <u>345,822</u> | <u>262,613</u> | <u>979,826</u> |
| JCF: | | | | |
| Board designated | <u>\$ 18,494</u> | <u>–</u> | <u>–</u> | <u>18,494</u> |
| | | | | |
| | 2017 | | | Total |
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| UJA-Federation: | | | | |
| Endowment – income restricted | \$ – | 260,845 | 146,253 | 407,098 |
| Endowment – income unrestricted | – | 61,548 | 110,818 | 172,366 |
| Board designated | 363,794 | – | – | 363,794 |
| Total | <u>\$ 363,794</u> | <u>322,393</u> | <u>257,071</u> | <u>943,258</u> |
| JCF: | | | | |
| Board designated | <u>\$ 17,595</u> | <u>–</u> | <u>–</u> | <u>17,595</u> |

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(7), Continued

Changes in UJA-Federation's and JCF's endowment net assets for the fiscal years ended June 30, 2018 and 2017 were as follows:

| | 2018 | | | |
|--|-------------------|---------------------------|---------------------------|----------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| UJA-Federation: | | | | |
| Net assets – July 1, 2017 | \$ 363,794 | 322,393 | 257,071 | 943,258 |
| Investment loss | (426) | (300) | – | (726) |
| Net appreciation in fair value of investments | 23,655 | 38,155 | – | 61,810 |
| Contributions | 20,125 | 22,040 | 4,339 | 46,504 |
| Change in value of split-interest agreements | – | – | 1,271 | 1,271 |
| Distributions (a) | (37,891) | (24,380) | – | (62,271) |
| Transfers (out) in | 2,134 | (12,086) | (68) | (10,020) |
| Net assets – June 30, 2018 | <u>\$ 371,391</u> | <u>345,822</u> | <u>262,613</u> | <u>979,826</u> |
| JCF: | | | | |
| Net assets – July 1, 2017 | \$ 17,595 | – | – | 17,595 |
| Net appreciation in fair value of investments | 1,752 | – | – | 1,752 |
| Distributions | (853) | – | – | (853) |
| Net assets – June 30, 2018 | <u>\$ 18,494</u> | <u>–</u> | <u>–</u> | <u>18,494</u> |

(a) Includes \$19,000 distributed under UJA-Federation's separate legacies and bequests policy

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(7), Continued

| | 2017 | | | Total |
|--|-------------------|---------------------------|---------------------------|----------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| UJA-Federation: | | | | |
| Net assets – July 1, 2016 | \$ 353,519 | 270,729 | 250,980 | 875,228 |
| Investment loss | (1,063) | (1,298) | – | (2,361) |
| Net appreciation in fair value of investments | 38,800 | 59,717 | – | 98,517 |
| Contributions | 23,415 | 11,845 | 7,352 | 42,612 |
| Change in value of split-interest agreements | – | – | 1,602 | 1,602 |
| Distributions (a) | (39,810) | (23,414) | – | (63,224) |
| Transfers (out) in | (11,067) | 4,814 | (2,863) | (9,116) |
| Net assets – June 30, 2017 | <u>\$ 363,794</u> | <u>322,393</u> | <u>257,071</u> | <u>943,258</u> |
| JCF: | | | | |
| Net assets – July 1, 2016 | \$ 15,989 | – | – | 15,989 |
| Net appreciation in fair value of investments | 2,602 | – | – | 2,602 |
| Distributions | (996) | – | – | (996) |
| Net assets – June 30, 2017 | <u>\$ 17,595</u> | <u>–</u> | <u>–</u> | <u>17,595</u> |

(a) Includes \$20,000 distributed under UJA-Federation's separate legacies and bequests policy

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(8) Fixed Assets

Fixed assets, at cost, consist of the following at June 30, 2018 and 2017:

| | 2018 | | | 2017 |
|-------------------------------------|--------------------|---------------------|---------------|------------------|
| | UJA- Federation | Related Entities | Total | Total |
| Land | \$ 1,118 | 600 | 1,718 | \$ 1,718 |
| Buildings and building improvements | 74,528 | 25,547 | 100,075 | 104,105 |
| Furniture and equipment | 7,920 | 524 | 8,444 | 7,465 |
| Total cost | 83,566 | 26,671 | 110,237 | 113,288 |
| Accumulated depreciation | (25,698) | (7,778) | (33,476) | (34,321) |
| Net fixed assets | <u>\$ 57,868</u> | <u>18,893</u> | <u>76,761</u> | <u>\$ 78,967</u> |

In 2018 and 2017, UJA-Federation wrote off \$1,011 and \$954, respectively, of fully depreciated fixed assets.

(9) Long-Term Debt, net

In June 2004, the New York City Industrial Development Agency issued Civic Facility Revenue Bonds (Series 2004 Bonds) for the benefit of UJA-Federation, in the amount of \$66,830 at par. The Series 2004 Bonds were issued in order to finance part of the costs of the renovation, equipping, and furnishing of the portion of a 17-story building, located in New York City, owned by UJA-Federation and occupied as its headquarters (the Facility). Pursuant to various agreements, including an "Indenture of Trust," UJA-Federation is obligated to and guarantees to make required payments of principal, sinking fund installments, and interest on the Series 2004 Bonds.

The Series 2004 Bonds were originally issued in two series: Series 2004A Bonds in the initial aggregate principal amount of \$41,830 and Series 2004B Bonds, originally issued in the aggregate principal amount of \$25,000.

During fiscal year 2015, UJA-Federation exercised its redemption rights relative to the Series 2004A Bonds. On August 14, 2014, the Build NYC Resource Corporation issued at par \$27,335 of revenue bonds (Series 2014 Bonds) for the benefit of UJA-Federation for the purpose of refunding the outstanding principal amount of the Series 2004A Bonds. The Series 2014 Bonds were issued at a premium of \$3,923 and the proceeds from the issuance were used to redeem the outstanding principal (\$30,405), to pay accrued interest (\$275) on the Series 2004A Bonds at the September 4, 2014 optional redemption date, and to pay for the costs of issuance (\$563). The premium is being amortized over the life of the bonds. The Series 2014 Bonds

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(9), Continued

comprise fixed rate serial bonds with maturity dates commencing July 1, 2015 and annually thereafter until July 1, 2025. These serial bonds bear interest at rates ranging from 2.00% to 5.00%, payable each January 1 and July 1, commencing January 1, 2015. The Series 2014 Bonds are subject to optional redemption on or after July 1, 2024, in whole or in part, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date of redemption. The Series 2014 Bonds are also subject to mandatory and extraordinary redemption, as defined. The unamortized premium of \$652 on the original Series 2004A Bonds was written off to interest expense in fiscal year 2015.

The Series 2004B Bonds were issued initially as variable rate bonds, due July 1, 2034, bearing interest in auction mode. The bonds could be converted as a whole at the direction of UJA-Federation, subject to certain restrictions, to bonds that bear interest at a daily, weekly, monthly, quarterly, adjustable, or fixed rate. On May 30, 2012 (the Conversion Date), the Series 2004B Bonds were remarketed and converted to a fixed rate obligation in the principal amount of \$22,585. The bonds were issued at a premium on the Conversion Date and the premium was utilized to retire \$2,415 of the original \$25,000 principal amount. The premium is being amortized over the life of the bonds. The bonds bear interest at 5.00%, payable each January 1 and July 1, commencing July 1, 2012. The bonds are subject to optional redemption, in whole or in part, on or after January 1, 2022 at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption. The bonds are also subject to mandatory and extraordinary redemption, as defined.

In April 2017, the Colorado Educational and Cultural Facilities Authority issued Revenue Bonds (Series 2017B Bonds) for the benefit of UJA-Federation, in the amount of \$35,000 at par. The Series 2017B Bonds were issued in order to construct, renovate, improve, and equip various capital projects at camp facilities, owned by UJA-Federation and leased to and operated by Henry Kaufmann Campgrounds, Inc., and to pay certain issuance expenses. Pursuant to various agreements, including an "Indenture of Trust," UJA-Federation is obligated to and guarantees to make required payments of principal, sinking fund installments, and interest on the Series 2017B Bonds.

The Series 2017B Bonds are comprised of \$6,510 of fixed-rate serial bonds with maturity dates commencing February 1, 2019 and annually thereafter until February 1, 2032 and \$28,490 of fixed-rate term bonds with mandatory sinking fund requirements commencing February 1, 2026 and annually thereafter until final maturity on February 1, 2047.

The fixed-rate serial bonds bear interest at rates ranging from 1.77% to 3.99%, payable each February 1 and August 1, commencing August 1, 2017. The fixed-rate term bonds bear interest at rates ranging from 3.54% to 4.42%, payable each February 1 and August 1, beginning August 1, 2017. The bonds maturing after February 1, 2027 are subject to redemption prior to maturity, in whole or in part, on February 1, 2027 and on any date thereafter and upon payment of par plus accrued interest through the date of redemption. The Series 2017B Term Bonds maturing on or after February 1, 2029 are subject to mandatory sinking fund

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(9), Continued

redemptions at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date.

As a result of issuing the Series 2017B Bonds, UJA-Federation incurred bond issuance costs of \$372. This amount has been deferred and is being amortized over the life of the bonds.

At June 30, 2018, the investment in bond proceeds were \$34,503, comprised of unexpended Project Fund proceeds. The funds were temporarily invested in short-term government money market funds.

In accordance with ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs previously classified as a deferred asset in the balance sheet is classified as a direct deduction from the carrying amount of the related debt liability. Unamortized debt issuance costs of \$996 and \$1,078 at June 30, 2018 and 2017 respectively, are reflected as a direct reduction of long-term debt. Amortization of debt issuance costs for fiscal years 2018 and 2017 was \$82 and \$72, respectively.

At June 30, 2018 and 2017, \$47,200 and \$49,858, net was outstanding under the Series 2014/2004B Bonds, respectively and at June 30, 2018 and 2017, \$34,644 and \$34,631, net was outstanding under the Series 2017B Bonds, respectively.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(9), Continued

The minimum annual payments for principal and interest relating to long-term debt, net at June 30, 2018 are as follows:

| | Principal | | | Interest | | | Total Debt Service |
|-----------------------------|------------------------------------|--------------------------|---------------|------------------------------------|--------------------------|---------------|--------------------------|
| | Series 2014A/ 2004B Bonds | Series 2017B Bonds | Total | Series 2014A/ 2004B Bonds | Series 2017B Bonds | Total | |
| <u>Year ending June 30:</u> | | | | | | | |
| 2019 | \$ 2,355 | 725 | 3,080 | 1,977 | 1,382 | 3,359 | 6,439 |
| 2020 | 2,475 | 740 | 3,215 | 1,894 | 1,369 | 3,263 | 6,478 |
| 2021 | 2,525 | 755 | 3,280 | 1,818 | 1,354 | 3,172 | 6,452 |
| 2022 | 2,625 | 770 | 3,395 | 1,702 | 1,336 | 3,038 | 6,433 |
| 2023 | 2,755 | 790 | 3,545 | 1,568 | 1,316 | 2,884 | 6,429 |
| Thereafter | 34,465 | 30,864 | 65,329 | 13,529 | 19,353 | 32,882 | 98,211 |
| | <u>\$ 47,200</u> | <u>34,644</u> | <u>81,844</u> | <u>22,488</u> | <u>26,110</u> | <u>48,598</u> | <u>130,442</u> |

Interest expense for the years ended June 30, 2018 and 2017 was \$2,634 and \$2,032, respectively.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(10) Grants

The following is a list, by program area, of grants awarded by UJA-Federation and related entities during the years ended June 30, 2018 and 2017:

| UJA-Federation: | 2018 | 2017 |
|---|------------|------------|
| Jewish Communal Network: | | |
| Overseas agencies; The Jewish Federations of North America (a) | \$ 38,920 | \$ 46,223 |
| Operating support grants to domestic network agencies | 33,766 | 34,161 |
| Other program grants | 4,996 | 4,223 |
| Total Jewish Communal Network | 77,682 | 84,607 |
| Jewish Life: | | |
| Jewish education and experiences | 14,696 | 10,817 |
| Global communities | 8,633 | 5,008 |
| Grassroots and community organizing | 4,109 | 5,096 |
| Scholarships | 2,224 | 1,890 |
| Social cohesion in Israel | 2,167 | 3,976 |
| Other program grants | 797 | 1,833 |
| Total Jewish Life | 32,626 | 28,620 |
| Caring: | | |
| Poverty | 9,879 | 11,043 |
| Aging | 6,819 | 5,270 |
| Social mobility in Israel | 3,413 | 1,729 |
| Special needs | 3,225 | 3,130 |
| Crisis response | 1,643 | 383 |
| Other program grants | 2,937 | 1,403 |
| Total Caring | 27,916 | 22,958 |
| Lease of properties to grantee organizations (b) | 15,318 | 15,318 |
| Total UJA-Federation | 153,542 | 151,503 |
| JCF: | | |
| Cultural and educational | 179,580 | 171,672 |
| Community organizations | 47,846 | 46,292 |
| Health, human services, and environment | 71,094 | 68,891 |
| International | 72,344 | 51,531 |
| Religious | 40,896 | 36,529 |
| UJA-Federation | 23,027 | 21,913 |
| Total JCF | \$ 434,787 | \$ 396,828 |

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(10), Continued

| | 2018 | 2017 |
|--|------------|------------|
| Grass Funds: | | |
| Educational and other philanthropic programs | \$ 7,110 | \$ 7,412 |
| Supporting Organizations and Other Entities | 4,596 | 5,941 |
| Less consolidation and elimination items | (23,401) | (22,784) |
| Total | \$ 576,634 | \$ 538,900 |

(a) The Jewish Federations of North America (JFNA) is the umbrella organization for the Jewish federations in North America and is the principal vehicle through which UJA-Federation distributes funds for overseas program activities. Distributions by JFNA go primarily to the Jewish Agency for Israel and the American Jewish Joint Distribution Committee, Inc. Organizations receiving funds from JFNA utilize such funds for activities and programs that support UJA-Federation's charitable purposes.

(b) UJA-Federation recognizes the estimated rental value of property owned and leased to various grantee organizations at rates significantly below market. The estimates were based upon independent appraisals of the properties, utilizing cap rates ranging from 5.0% to 7.0% to impute rental income and the corresponding grant to the lessees. The consolidated statements of activities reflect \$15,318 of imputed rental income and grant expense related to these lease agreements for the years ended June 30, 2018 and 2017.

In June 2018, the board of directors of UJA-Federation approved \$141,000 for fiscal year 2019 grants and related program activities recommended by the planning departments responsible for the allocation of funds to affiliated agencies of UJA-Federation and to others. In July 2018, the planning departments awarded approximately \$94,000 of grants for programs to be conducted during fiscal year 2019 and notified the grant recipients. These grants and the remaining unallocated budget of \$47,000 will be recorded by UJA-Federation in fiscal year 2019 when the grants are awarded and the recipients notified.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(11) Retirement Benefits

Multiemployer Plan

UJA-Federation and JCF participate in a multiemployer defined-benefit pension plan (the Plan) covering eligible union and nonunion employees of these organizations as well as eligible employees of participating affiliated agencies of UJA-Federation. The Plan, *Retirement Plan for Employees of United Jewish Appeal-Federation of Jewish Philanthropies of New York, Inc. and Affiliated Agencies and Institutions*, is filed under the Employer Identification Number 51-0172429 and the three-digit Pension Plan Number 333. The Organization is not required to file an annual zone certification under the Pension Protection Act of 2006 (PPA) and disclosures concerning a financial improvement plan or a rehabilitation plan are not applicable. The Plan is at least 80% funded using the most recent financial information as of October 1, 2017 the beginning of the Plan year.

UJA-Federation and JCF contributions to the Plan for the years ended June 30, 2018 and 2017 were \$4,163 and \$2,705, respectively. These contributions represented 12.5% and 11.3% of the total contributions to the Plan for those years ended, respectively. The expiration date of the collective-bargaining agreement requiring contributions to the Plan for those union employees who elect to participate is January 31, 2019. The Plan is noncontributory for nonunion employees.

In July 2017, the board of directors of UJA-Federation, the Plan's administrator, approved changes to the Plan. The changes provide that, effective October 1, 2017, all nonunion employees eligible to participate in the Plan who were hired prior to May 1, 2010 and who currently accrue benefits under a final average pay formula will instead accrue future benefits under the cash balance formula that is applicable to eligible nonunion employees who were hired on or after May 1, 2010. Under the cash balance formula, eligible nonunion employees are credited with an annual pay credit equal to 3% of compensation. Under the amendment to the Plan, nonunion employees who are 50 years or older and have at least 10 years of vesting service as of October 1, 2017 also will be credited with an additional annual pay credit equal to 2% of compensation. All employees under the cash balance components of the Plan receive an annual interest credit at a rate equal to the yield on 30-year United States Treasury bonds.

Other Retirement Benefits

UJA-Federation has also entered into arrangements with executives and certain employees related to supplemental retirement benefits. Costs associated with such arrangements have been accrued and are included in the accompanying consolidated financial statements.

In addition, UJA-Federation provides certain postretirement healthcare benefits to eligible retired employees. Some of UJA-Federation's employees will become eligible for those benefits if they reach normal retirement age while working for UJA-Federation. UJA-Federation follows the provisions of ASC Topic 715, *Compensation – Retirement Benefits*. The unfunded postretirement benefit obligation at June 30,

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(11), Continued

2018 and 2017, recognized by UJA-Federation in the consolidated balance sheets, was \$3,967 and \$4,222, respectively. For the years ended June 30, 2018 and 2017, UJA-Federation's net periodic postretirement benefit cost was \$160 and \$171, respectively.

(12) Commitments and Contingencies

Leased Facilities

UJA-Federation and JCF lease office space under the terms of various leases expiring through fiscal year 2028. The leases generally provide for annual base rentals plus real estate and operating expense escalations. Future minimum rentals under noncancelable operating leases are as follows:

| | <u>UJA- Federation</u> | <u>JCF</u> | <u>Total</u> |
|-----------------------------|----------------------------|--------------|--------------|
| <u>Year ending June 30:</u> | | | |
| 2019 | \$ 673 | 494 | 1,167 |
| 2020 | 400 | 539 | 939 |
| 2021 | 386 | 544 | 930 |
| 2022 | 366 | 560 | 926 |
| 2023 | 376 | 560 | 936 |
| Thereafter | 818 | 2,772 | 3,590 |
| Total | <u>\$ 3,019</u> | <u>5,469</u> | <u>8,488</u> |

Rent expense for the years ended June 30, 2018 and 2017 was \$1,047 and \$1,056, respectively.

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(12), Continued

In addition, Gruss occupies office space in New York City under a lease arrangement that expires on June 30, 2022. Gruss also entered into a month-to-month sublease agreement. The annual rent is subject to real estate tax escalations. Future lease payments are as follows:

| <u>Year ending December 31:</u> | <u>Amount</u> |
|---------------------------------|-----------------|
| 2018 | \$ 309 |
| 2019 | 317 |
| 2020 | 324 |
| 2021 | 333 |
| 2022 | 198 |
| Total | <u>\$ 1,481</u> |

Rent expense, net of sublease rental income for the years ended December 31, 2017 and 2016 was \$174 and \$168, respectively.

Rental Income

A consolidated real estate title holding company of UJA-Federation owns a condominium unit and leases office space to tenants in the building in New York City also used by UJA-Federation as its headquarters. The leases contain operating expense and real estate tax escalation clauses. For the years ended June 30, 2018 and 2017, rental income amounted to \$3,872 and \$3,721, respectively.

Future minimum rental income under these leases, excluding escalations, is as follows:

| <u>Year ending June 30:</u> | <u>Amount</u> |
|-----------------------------|------------------|
| 2019 | \$ 3,676 |
| 2020 | 3,229 |
| 2021 | 3,539 |
| 2022 | 3,594 |
| 2023 | 3,669 |
| Thereafter | 29,249 |
| Total | <u>\$ 46,956</u> |

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(12), Continued

Contingencies

The Organization is party to various litigation and other claims in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a significant effect on the Organization's consolidated financial position.

UJA-Federation is a guarantor to FOJP Service Corp. (FOJP), an entity that provides risk management and insurance procurement services for UJA-Federation and many network agencies, of all insurance premiums due from network agencies to FOJP for policies issued on or after January 1, 2007. The guaranty applies to all future policies written for participating network agencies until such time as UJA-Federation determines to cease guaranteeing such future policies payments. UJA-Federation has the right to terminate an agency's participation in the insurance program in the event of such agency's nonpayment of its monthly premium in order to reduce the liability under the guaranty. At June 30, 2018, no network agencies were in arrears. The total balance of unpaid insurance premiums was \$11,033.

(13) Board-Designated Net Assets

Unrestricted net assets of UJA-Federation at June 30, 2018 and 2017 have been designated by the board of directors as follows:

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Headquarters facility renovation | \$ 21,843 | \$ 21,843 |
| Agency facility replacement | 5,647 | 5,647 |
| Revolving and special loans | 3,000 | 3,000 |
| Spending policy/other designated purposes | 380,156 | 370,578 |
| Total | <u>\$ 410,646</u> | <u>\$ 401,068</u> |

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(14) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes:

| UJA-Federation: | 2018 | 2017 |
|--|------------|------------|
| Purpose restricted: | | |
| Education and scholarships | \$ 137,127 | \$ 111,431 |
| Multipurpose and other programs | 109,108 | 104,809 |
| Caring for the vulnerable | 52,677 | 44,662 |
| Camps and community centers | 23,104 | 22,574 |
| Programs for the aged | 20,975 | 21,393 |
| Capital projects | 17,461 | 1,348 |
| Jewish education and continuity | 5,137 | 5,171 |
| | 365,589 | 311,388 |
| Time restricted: | | |
| Unappropriated unrestricted endowment appreciation | 64,975 | 61,548 |
| Split-interest agreements | 1,063 | 1,028 |
| Other | 20,095 | 28,763 |
| | 86,133 | 91,339 |
| Total UJA-Federation | 451,722 | 402,727 |
| JCF: | | |
| Fiscal sponsorships | - | 41 |
| Total JCF | - | 41 |
| Gross funds: | | |
| Educational and other philanthropic programs | 46,952 | 50,084 |
| Less consolidation and elimination items | (27,287) | (23,973) |
| Total | \$ 471,387 | \$ 428,879 |

**UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES**
Notes to Consolidated Financial Statements, Continued
June 30, 2018 and 2017
(Dollars in thousands)

(15) Permanently Restricted Net Assets

The following permanently restricted net assets and investment returns thereon are available to support the following activities:

| UJA-Federation: | 2018 | 2017 |
|--|------------|------------|
| Purpose restricted: | | |
| Multipurpose and other programs | \$ 46,543 | \$ 46,214 |
| Education and scholarships | 35,955 | 33,351 |
| Caring for the vulnerable | 25,360 | 25,358 |
| Programs for the aged | 17,765 | 17,824 |
| Camps and community centers | 11,741 | 11,741 |
| Jewish education and continuity | 7,688 | 7,685 |
| Rescue and resettlement | 4,080 | 4,080 |
| Total endowment – income restricted | 149,132 | 146,253 |
| Total endowment – income unrestricted | 113,481 | 110,818 |
| Less consolidation and elimination items | (6,766) | (5,716) |
| Total | \$ 255,847 | \$ 251,355 |

UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES

Schedule 1

Schedule of Balance Sheet Information for UJA-Federation

June 30, 2018
(With comparative totals for 2017)
(Dollars in thousands)

| <u>Assets</u> | 2018 | | | 2017 | |
|---|-------------------|---------------------------|---------------------------|--------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total All Funds | Total All Funds |
| Cash | \$ 14,221 | 2,498 | - | 16,719 | 16,790 |
| Contributions receivable, net | 53,574 | 65,606 | 209 | 119,389 | 98,335 |
| Other assets and receivables | 54,886 | 7,544 | 4,187 | 66,617 | 48,300 |
| Intercompany receivables (payables) | (4,920) | 7,883 | 51 | 3,014 | 3,310 |
| Amounts held on behalf of other agencies | 67,666 | - | - | 67,666 | 65,679 |
| Investments | 461,653 | 379,169 | 248,694 | 1,089,516 | 1,054,846 |
| Unexpended bond proceeds | - | 34,503 | - | 34,503 | 34,660 |
| Assets held under charitable trust agreements | 6,337 | 7,587 | 19,976 | 33,900 | 37,409 |
| Fixed assets, net | 57,868 | - | - | 57,868 | 59,505 |
| Total assets | \$ 711,285 | 504,790 | 273,117 | 1,489,192 | 1,418,834 |
| <u>Liabilities and Net Assets</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable, accrued expenses, and other liabilities | \$ 20,514 | 7,901 | - | 28,415 | 21,960 |
| Grants payable | 14,592 | 3,966 | - | 18,558 | 15,142 |
| Amounts held on behalf of other agencies | 67,666 | - | - | 67,666 | 65,679 |
| Liabilities under charitable trust and annuity agreements | 26,942 | 6,557 | 10,504 | 44,003 | 47,225 |
| Long-term debt, net | 47,200 | 34,644 | - | 81,844 | 84,489 |
| Accrued postretirement benefits | 3,967 | - | - | 3,967 | 4,222 |
| Total liabilities | 180,881 | 53,068 | 10,504 | 244,453 | 238,717 |
| Net assets: | | | | | |
| Unrestricted: | | | | | |
| Undesignated | 119,758 | - | - | 119,758 | 119,251 |
| Board designated | 410,646 | - | - | 410,646 | 401,068 |
| Total unrestricted net assets | 530,404 | - | - | 530,404 | 520,319 |
| Temporarily restricted | - | 451,722 | - | 451,722 | 402,727 |
| Permanently restricted: | | | | | |
| Endowment – income restricted | - | - | 149,132 | 149,132 | 146,253 |
| Endowment – income unrestricted | - | - | 113,481 | 113,481 | 110,818 |
| Total permanently restricted net assets | - | - | 262,613 | 262,613 | 257,071 |
| Total net assets | 530,404 | 451,722 | 262,613 | 1,244,739 | 1,180,117 |
| Total liabilities and net assets | \$ 711,285 | 504,790 | 273,117 | 1,489,192 | 1,418,834 |

UNITED JEWISH APPEAL-FEDERATION OF JEWISH
PHILANTHROPIES OF NEW YORK, INC. AND RELATED ENTITIES

Schedule 2

Schedule of Activities for UJA-Federation

Year ended June 30, 2018
(With comparative totals for 2017)
(Dollars in thousands)

| | 2018 | | | 2017 | |
|---|----------------|---------------------------|---------------------------|--------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total All Funds | Total All Funds |
| Revenue and gains (losses): | | | | | |
| Annual/special giving: | | | | | |
| Annual giving contributions, including special event and mission fees of \$4,482 in 2018 and \$5,383 in 2017 | \$ 133,026 | 17,001 | – | 150,027 | 152,233 |
| Less event and mission costs | (8,674) | – | – | (8,674) | (11,394) |
| Special giving contributions | 86 | 45,857 | – | 45,943 | 33,465 |
| Less provision for uncollectible contributions, net of prior years' recoveries | (2,280) | (125) | – | (2,405) | (2,611) |
| Net contributions – annual/special giving | 122,158 | 62,733 | – | 184,891 | 171,693 |
| Endowment contributions | – | – | 3,186 | 3,186 | 4,223 |
| Legacies and bequests | 20,428 | 1,079 | 634 | 22,141 | 26,939 |
| Split-interest agreements | 1,694 | 5 | 519 | 2,218 | 989 |
| Change in value of split-interest agreements | (136) | 58 | 1,271 | 1,193 | (130) |
| Donated goods and services | 150 | 531 | – | 681 | 150 |
| Amounts raised on behalf of others | 19,939 | – | – | 19,939 | 16,885 |
| Net campaign revenue, including amounts raised on behalf of others | 164,233 | 64,406 | 5,610 | 234,249 | 220,749 |
| Less amounts raised on behalf of others | (19,939) | – | – | (19,939) | (16,885) |
| Net campaign revenue, excluding amounts raised on behalf of others | 144,294 | 64,406 | 5,610 | 214,310 | 203,864 |
| Net investment income | 3,927 | 956 | – | 4,883 | 4,312 |
| Net appreciation in fair value of investments | 24,497 | 39,583 | – | 64,080 | 104,414 |
| Rental income | 15,360 | – | – | 15,360 | 15,348 |
| Service income | 890 | – | – | 890 | 967 |
| Other income | 25 | – | – | 25 | 553 |
| Changes of donor's designation | – | – | (68) | (68) | – |
| | 188,993 | 104,945 | 5,542 | 299,480 | 329,458 |
| Net assets released from restrictions | 55,950 | (55,950) | – | – | – |
| Total revenue and gains | 244,943 | 48,995 | 5,542 | 299,480 | 329,458 |
| Grants and expenses: | | | | | |
| Grants and other program services: | | | | | |
| Grants | 153,542 | – | – | 153,542 | 151,503 |
| Other program services | 29,363 | – | – | 29,363 | 27,066 |
| Total grants and other program services | 182,905 | – | – | 182,905 | 178,569 |
| Fund-raising | 31,255 | – | – | 31,255 | 30,922 |
| Management and general | 20,904 | – | – | 20,904 | 19,880 |
| Total expenses | 235,064 | – | – | 235,064 | 229,371 |
| Increase in net assets before postretirement plan adjustments | 9,879 | 48,995 | 5,542 | 64,416 | 100,087 |
| Postretirement benefit changes not included in net periodic benefit cost | 206 | – | – | 206 | 654 |
| Increase in net assets | 10,085 | 48,995 | 5,542 | 64,622 | 100,741 |
| Net assets at beginning of year | 520,319 | 402,727 | 257,071 | 1,180,117 | 1,079,376 |
| Net assets at end of year | \$ 530,404 | 451,722 | 262,613 | 1,244,739 | 1,180,117 |