The Jewish Federation of Greater Washington, Inc. and Subsidiary

Consolidated Financial Statements
Year Ended June 30, 2014

The Jewish Federation of Greater Washington, Inc. and Subsidiary

Consolidated Financial Statements

Year Ended June 30, 2014

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Independent Auditor's Report

To the Board of Directors
The Jewish Federation of Greater Washington, Inc. and Subsidiary
Rockville, MD

We have audited the accompanying consolidated financial statements of The Jewish Federation of Greater Washington, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Jewish Federation of Greater Washington, Inc. and Subsidiary as of June 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Jewish Federation of Greater Washington Inc. and Subsidiary's 2013 consolidated financial statements, and our report dated February 28, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

February 18, 2015

Consolidated Financial Statements

The Jewish Federation of Greater Washington, Inc. and Subsidiary

Consolidated Statement of Financial Position

June 30,	**2014**	2013
Assets		
Cash and cash equivalents	**$ 2,505,867**	$ 1,000,998
Receivables, net	**5,631,877**	8,230,018
Restricted cash	**3,637,470**	3,856,235
Investments	**178,355,355**	157,321,151
Cash surrender value of life insurance	**6,808,766**	10,335,615
Bond issuance costs	**159,935**	165,505
Other assets	**177,231**	192,744
Land, building and equipment, net	**16,281,024**	18,707,327
Donated assets – land and property	**567,795**	817,893
Asset held for sale	**2,000,000**	-
Total assets	**$ 216,125,320**	$ 200,627,486
Liabilities and net assets		
Liabilities		
Allocations to beneficiary organizations	**$ 9,761,259**	$ 10,036,172
Accounts payable and accrued expenses	**4,528,658**	5,139,756
Due to agencies and supporting organizations	**34,963,164**	31,901,713
Line-of-credit	**3,660,700**	3,750,000
Long-term debt	**13,125,000**	13,400,000
Split-interest agreements	**8,347,496**	8,895,360
Interest rate swap liability	**314,457**	524,378
Total liabilities	**74,700,734**	73,647,379
Commitments and contingencies		
Net assets		
Unrestricted	**48,193,720**	44,104,461
Temporarily restricted	**69,060,854**	59,733,491
Permanently restricted	**24,170,012**	23,142,155
Total net assets	**141,424,586**	126,980,107
Total liabilities and net assets	**$ 216,125,320**	$ 200,627,486

See accompanying notes to consolidated financial statements.

The Jewish Federation of Greater Washington, Inc. and Subsidiary

Consolidated Statement of Activities for the year ended June 30, 2014
(with summarized comparative information for the year ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
Support and revenue					
Contributions – Endowment Fund	$ 10,818,805	$ 2,936,688	$ 1,027,857	$ 14,783,350	$ 10,257,438
Contributions – Federation	14,864,440	812,248	-	15,676,688	18,507,774
Other	633,446	-	-	633,446	2,125,498
Investment return, net	7,743,342	10,844,536	-	18,587,878	15,254,297
Net assets released from restrictions	5,266,109	(5,266,109)	-	-	-
Total support and revenue before netting with split interest agreement liabilities	39,326,142	9,327,363	1,027,857	49,681,362	46,145,007
Split interest agreement liabilities	-	-	-	-	(30,138)
Total support and revenue	39,326,142	9,327,363	1,027,857	49,681,362	46,114,869
Commercial building operations					
Revenues	1,715,532	-	-	1,715,532	505,689
Expenses	(1,615,438)	-	-	(1,615,438)	(978,716)
Net income (loss) on commercial building operations	100,094	-	-	100,094	(473,027)
Total support, revenue, and commercial building operations	39,426,236	9,327,363	1,027,857	49,781,456	45,641,842
Expenses					
Program services					
Allocation to beneficiary organizations	24,437,602	-	-	24,437,602	16,015,262
Community planning and outreach program	2,470,029	-	-	2,470,029	2,113,718
Total program services	26,907,631	-	-	26,907,631	18,128,980
Supporting services					
Fundraising	4,648,453	-	-	4,648,453	4,352,452
Management and central services	3,921,751	-	-	3,921,751	3,995,181
Total supporting services	8,570,204	-	-	8,570,204	8,347,633
Total expenses	35,477,835	-	-	35,477,835	26,476,613
Change in net assets before other revenue (expenses)	3,948,401	9,327,363	1,027,857	14,303,621	19,165,229
Change in value of split-interest agreements	(82,440)	-	-	(82,440)	(866,842)
Provision for (recovery of) uncollectible promises to give	(46,814)	-	-	(46,814)	471,168
Fair value adjustment on asset held for sale	(239,286)	-	-	(239,286)	-
Pension related changes other than net periodic pension costs	509,398	-	-	509,398	(362,672)
Change in net assets	4,089,259	9,327,363	1,027,857	14,444,479	18,406,883
Net assets, beginning of year	44,104,461	59,733,491	23,142,155	126,980,107	108,573,224
Net assets, end of year	$ 48,193,720	$ 69,060,854	$ 24,170,012	$ 141,424,586	$ 126,980,107

See accompanying notes to consolidated financial statements.

The Jewish Federation of Greater Washington, Inc. and Subsidiary

Consolidated Statement of Functional Expenses for the year ended June 30, 2014
(with summarized comparative information for the year ended June 30, 2013)

	Program Services			Supporting Services				
	Allocations to Beneficiary Organizations	Community Planning and Outreach Program	Total Program Services	Fundraising	Management and Central Services	Total Supporting Services	2014 Total	2013 Total
Grant Expenses	$ 24,437,602	$ -	$ 24,437,602	$ -	$ -	$ -	$ 24,437,602	$ 16,015,262
Salaries	-	1,196,945	1,196,945	2,553,387	1,771,727	4,325,114	5,522,059	4,994,176
Purchased services	-	190,836	190,836	714,249	604,199	1,318,448	1,509,284	1,424,870
Employee benefits	-	180,991	180,991	346,958	427,715	774,673	955,664	972,092
Facility and equipment rentals	-	39,951	39,951	276,732	281,446	558,178	598,129	559,599
Depreciation and amortization expense	-	8,791	8,791	57,856	250,005	307,861	316,652	347,975
Payroll taxes	-	92,551	92,551	172,724	115,332	288,056	380,607	339,480
Banquets and functions	-	77,025	77,025	95,711	33,653	129,364	206,389	299,911
Publicity, promotion, and marketing	-	23,436	23,436	74,030	20,149	94,179	117,615	243,031
Travel and conference	-	104,577	104,577	48,370	35,145	83,515	188,092	196,047
Printing and stationery	-	121,705	121,705	52,519	4,095	56,614	178,319	135,750
Missions	-	129,527	129,527	6,100	-	6,100	135,627	6,445
Office supplies and maintenance	-	26,530	26,530	25,052	77,928	102,980	129,510	179,267
Professional fees	-	-	-	650	111,805	112,455	112,455	94,237
Postage and mailing services	-	3,703	3,703	72,729	4,447	77,176	80,879	86,810
Telephone	-	11,242	11,242	9,018	14,278	23,296	34,538	42,740
Insurance premium expenses	-	-	-	-	29,491	29,491	29,491	33,542
Other	-	262,219	262,219	142,368	140,336	282,704	544,923	505,379
Total expenses 2014	**$ 24,437,602**	**$ 2,470,029**	**$ 26,907,631**	**$ 4,648,453**	**$ 3,921,751**	**$ 8,570,204**	**$ 35,477,835**	
Total expenses 2013	$ 16,015,262	$ 2,113,718	$ 18,128,980	$ 4,352,452	$ 3,995,181	$ 8,347,633		$ 26,476,613

See accompanying notes to consolidated financial statements.

The Jewish Federation of Greater Washington, Inc. and Subsidiary

Consolidated Statement of Cash Flows

Years ended June 30,		**2014**		2013
Cash flows from operating activities				
Change in net assets	**$**	**14,444,479**	$	18,406,883
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization expense		**513,640**		446,384
Recovery of bad debt expense		**(811,851)**		(537,741)
Present value change applied to receivables		**(72,149)**		(136,035)
Split-interest agreements liability		**(547,864)**		164,985
Unrealized and realized gain		**(17,303,676)**		(15,078,743)
(Gain) loss on interest rate swaps		**(209,921)**		524,378
Permanently restricted contributions		**(105,012)**		(136,115)
Amortization of debt issuance costs		**5,570**		1,570
Loss on disposal of building and equipment		**-**		1,918
Loss on decline of fair value of asset held for sale		**239,286**		-
Decrease (increase) in assets				
Receivables		**3,482,141**		1,975,216
Receivable for unsettled investment trade		**-**		1,200,000
Other assets		**15,513**		1,311
Increase (decrease) in liabilities				
Allocations to beneficiary organizations		**(274,913)**		(1,541,836)
Accounts payable and accrued expenses		**(611,098)**		(426,313)
Due to agencies and supporting organizations		**3,061,451**		2,544,267
Net cash provided by operating activities		**1,825,596**		7,410,129
Cash flows from investing activities				
Purchases of investments		**(49,762,562)**		(31,320,759)
Proceeds from sale of investments		**46,032,034**		34,272,036
Change in cash surrender value of life insurance		**3,526,849**		(2,774,704)
Purchases of land, building and equipment		**(326,623)**		(15,846,606)
Restriction of cash		**218,765**		(3,856,235)
Proceeds from sale of donated assets – land and property		**250,098**		-
Net cash used in investing activities		**(61,439)**		(19,526,268)
Cash flows from financing activities				
Payments on capitalized lease obligation		**-**		(1,805,000)
Proceeds from line-of-credit		**4,910,700**		1,500,756
Payments on line-of-credit		**(5,000,000)**		(1,800,756)
Bond issuance costs		**-**		(167,075)
Payment of long-term debt		**(275,000)**		-
Issuance of long-term debt		**-**		13,400,000
Proceeds from permanently restricted contributions		**105,012**		136,115
Net cash (used in) provided by financing activities		**(259,288)**		11,264,040
Increase (decrease) in cash and cash equivalents		**1,504,869**		(852,099)
Cash and cash equivalents, beginning of year		**1,000,998**		1,853,097
Cash and cash equivalents, end of year	**$**	**2,505,867**	$	1,000,998

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Nature of the Organization

The Jewish Federation of Greater Washington, Inc. (the Jewish Federation) began in 1925 as the Jewish Welfare Association. Today, The Jewish Federation and its United Jewish Endowment Fund support 35 local agencies, 14 national organizations, 4 overseas partners and more than 60 congregations. The Jewish Federation works in conjunction with its partners to provide funding, community planning, and leadership development that impacts some 110,000 Jewish households (268,000 people), as well as many members of the general community throughout the Washington metropolitan area. Around the world our efforts support rescue, relief, reconstruction, and renewal for tens of thousands more in Israel and in more than 60 countries around the world. Building a community and helping make the world a better place is what we do every day. We not only support those in need, we build a network to inspire a love of Jewish life and culture. We are committed to helping people connect in ways meaningful to them. And from this work know that the Jewish community of Greater Washington will be a strong, thriving and welcoming place for generations to come.

JFGW Building LLC is a Maryland limited liability company incorporated on September 20, 2012 to acquire, own, finance, develop, management, lease, operate and, if when appropriate, sell real or personal property, or interest therein, for its own account or together with others. The Jewish Federation has 100% membership interest in JFGW Building LLC.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Jewish Federation and JFGW Building LLC (collectively the Federation). All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby, support and revenue are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, "*Not-for-Profit Entities*". Under ASC 958, the Federation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For the purposes of reporting cash flows, money market accounts and all highly liquid investments are considered to be cash equivalents. All cash and investments, regardless of maturity that are held by the investment advisor, are considered investments.

Restricted Cash

Restricted cash consists of funds in an escrow account that is used to pay the cost to refurbish the newly acquired building (see Note 4).

Credit and Financial Risk

Substantially all the promises to give are derived from individual donors. All of these receivables are made on an unsecured basis. Historically, the Federation has not incurred significant credit related losses.

The Federation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Federation has not experienced any losses in such accounts. The Federation believes it is not exposed to any significant financial risk on cash.

The Federation invests in a professionally managed portfolio that contains mutual funds, equities, bonds and alternative investments. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Impairment of Long-Lived Assets

The Federation accounts for the valuation of long-lived assets under ASC 360, "*Property, Plant, and Equipment*". ASC 360 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of, if any, are reportable at the lower of the carrying amount or fair value, less costs to sell.

Promises to Give and Other Receivables

Unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are only recognized when the conditions on which they depend are substantially met.

Unconditional promises to give are carried at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. The provision for doubtful promises, based on management's evaluation of the historical collection of promises, is $3,487,503 (See Note 2).

Other receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Interest is not recorded on any past due balances.

Investments

Investments are stated at fair value. Unrealized and realized gains and losses are included in the consolidated statement of activities.

Investments in publicly traded equity and debt securities are stated at quoted market values. For all of these investments, the Federation has concluded that the net asset values reported by the individual fund managers approximates the fair value of the investments. Changes in fair values are reported as unrealized gains or losses in the accompanying consolidated statement of activities.

Alternative investments may include private equity, real estate, and hedge and absolute return funds for which there may be no ready market to determine fair value. For all of these investments, the Federation has concluded that the net asset values reported by the individual fund managers approximate the fair value of the investments. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed. Commingled trusts are funds of publicly traded equity securities traded on international exchanges.

Cash Surrender Value

The Federation is the owner and beneficiary of 71 life insurance policies. The cash surrender value of these policies was $6,808,766 at June 30, 2014. The sum of all death benefits, which will be added to Endowment Fund assets after the death of the insured, is approximately $28.9 million.

Land, Building and Equipment

The Federation capitalizes all land, building and equipment purchased with a cost of $2,000 or more. Land, Building and Equipment is recorded at cost and depreciated on the straight-line basis over estimated useful lives of 3 to 40 years. Leasehold improvements are also recorded at cost and are being amortized over their estimated useful lives or the terms of the lease, whichever is shorter. The estimated useful life of tenant improvements is the lesser of the term of the lease or life of the asset.

Bond Issuance Costs

Costs associated with issuance of bonds have been deferred and are amortized over the terms of the bonds. The Federation uses the straight-line method, which approximates the effective interest method.

Donated Land and Property

Donated land and property is recorded as a contribution at its estimated fair market value at the date of donation, based on a formal appraisal.

Asset Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Federation's accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the Federation's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in the consolidated statement of activities. Gains are not recognized in excess of any cumulative impairment loss.

Building and equipment once classified as held for sale or distribution are not amortized or depreciated.

Allocations to Beneficiary Organizations

Allocations are recorded when authorized by the Federation's Board of Directors.

Due to Agencies and Supporting Organizations

These amounts represent funds held by the Federation for various local and national agencies for investment purposes.

Split-interest Agreements

The Federation receives contributions in the form of irrevocable split-interest agreements that include charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts. The split-interest agreements have been valued based on discount rates approved by the Board of Directors, which is 4.75%.

The Federation serves as the administrator for all split-interest agreements. A third party holds amounts received and makes specified payments to annuitants. The excess in fair value of assets received over the liability assumed is recorded as either unrestricted or temporarily restricted revenue. The assets are adjusted each year based on the fair value of the investments held by the third party. The liability is adjusted each year based on the adjusted life expectancies of the annuitants and discounted using the most recent discount rate approved by the Board of Directors. Changes in the liabilities are recorded in the accompanying consolidated statement of activities as change in value of split-interest agreements.

Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently restricted net assets, recorded in the Endowment Fund, consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Federation. The restrictions stipulate that resources be maintained permanently but permit the Federation to expend the income generated in accordance with the provisions of the agreement.

Rent revenue is recorded on the straight-line basis.

Functional Expense Allocations

The Federation is organized into departmental cost centers. Each department's expenses are allocated directly and indirectly to the functional areas of the Federation.

Income Tax

The Federation is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Federation qualifies for charitable contributions deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Federation paid $533,977 in federal and state income taxes during the fiscal year ended June 30, 2014, in connection with unrelated debt-financed income on certain partnerships owned by the Federation. No amounts were payable as of June 30, 2014.

The Federation must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The Federation's management believes it has no material uncertain tax positions and; accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended June 30, 2014 the Federation did not recognize any interest or penalties.

The tax years ended June 30, 2011, 2012, and 2013, remain open to examination by the taxing jurisdictions to which the Federation is subject, and they have not been extended beyond the applicable statute of limitations. No examinations are currently in process. For the year ended June 30, 2014, the Federation recognized $1,488 in interest and penalties.

Fair Value Measurements

The fair market value of a financial instrument is defined in ASC 825-10, "*Disclosures about Fair Value of Financial Instruments*", as "the amount at which the instrument could be exchanged in a current transaction between willing parties." The carrying amounts reported in the accompanying consolidated statement of financial position for cash and cash equivalents and investments, approximate fair value given the nature of the financial instruments or conversely are based on a non-recurring assessment of fair value.

The following methods and assumptions were used by the Federation in estimating the fair value of other financial instruments, which consist of investments. As defined in ASC 820-10, fair value is 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 (exit price). The Federation utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Federation primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Federation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Federation is able to classify fair value balances based on the observability of those inputs.

The Federation's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels. Also, the time between inception and performance of the contract may affect the fair value. The determination of fair value may, therefore, affect the timing of recognition of revenues and net income.

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1 Inputs: Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Inputs: Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3 Inputs: Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input therefore reflects the Federation's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Federation's alternative investments are held in limited partnerships and investments in comingled funds which are valued based on level 3 inputs within the investment hierarchy used in measuring fair value. Given the absence of market quotations, their fair value is estimated using information provided to the Federation by the investment manager. The values are based on estimates that require varying degrees of judgments. Individual holdings within the alternative investments may include investment in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly-traded securities, and other investment vehicles. The investments may directly expose the Federation to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments contain varying degrees of risk, the Federation's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment.

The financial statements of the investees are audited annually by nationally recognized firms of independent auditors.

The Federation does not directly invest in the underlying securities of the investment funds and due to restrictions on transferability and timing of withdrawals from the investment funds, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

Additional information is included in Note 14.

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Federation's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Accounting Pronouncements Adopted

In October 2012, FASB issued ASU 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (a consensus of the FASB Emerging Issues Task Force)* (ASU 2012-05). The amendments in ASU 2012-05 address the diversity in practice under U.S. GAAP about the presentation of the cash receipts from the sale of donated financial assets in the statement of cash flows as either an operating, investing or financing activity. The amendments are effective prospectively for fiscal years beginning after June 15, 2013. The impact of this ASU is not material to the consolidated financial statements.

Recent Accounting Pronouncements

In October 2012, FASB issued ASU 2012-04, *Technical Corrections and Improvements* (ASU 2012-04). The amendments in ASU 2012-04 cover a wide range of Topics in the ASC. Those amendments are presented in two sections – Technical Corrections and Improvements (Section A) and Conforming Amendments Related to Fair Value Measurements (Section B). The amendments in Section A have been categorized as source literature amendments, guidance clarification and relocated guidance. The amendments in Section B are intended to conform terminology and clarify certain guidance in various Topics of the ASC to fully reflect the fair value measurement and disclosure requirements of Topic 820. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2013.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendment is to be applied prospectively for annual periods beginning after December 15, 2017.

Management is still in the process of assessing the impact this new standard will have on the financial statements.

2. Receivables

Receivables consist of the following at June 30, 2014:

Promises to give	$	8,914,987
Charitable remainder trusts		635,704
Other		130,198
		9,680,889
Less provision for doubtful promises to give		3,487,503
Less discount to net present value – charitable remainder trusts		496,911
Less discount to net present value – promises to give		64,598
		4,049,012
Total	$	5,631,877

Promises to Give

Promises to give in one year or more are measured using the present value of future cash flows based on a discount rate of approximately 5.0%. Promises to give consist of at June 30, 2014:

Promises to give in less than one year	$	8,403,187
Promises to give in one to five years		511,800
Total promises to give		8,914,987
Less provision for doubtful promises to give		3,487,503
Less discount to net present value		64,598
Net promises to give	$	5,362,886

Charitable Remainder Trusts

The Federation is aware that they are the beneficiary in at least two charitable remainder trusts (the Trusts). The Trusts make payments each year to the grantor for the duration of the Trust's term (the grantor's lifetime). At the end of the Trusts' terms, the remaining assets are available for the Federation's use. The individual administrators, who are third-party trustees, hold the assets. For the Trusts the Federation applied a 4.75% discount rate for the year ended June 30, 2014.

3. Investments

Pooled investments: To obtain investment flexibility, certain assets are combined in a pooled investment account managed by outside investment firms. This pool consists of cash and cash equivalents, short-term, intermediate-term and long-term bonds, that consist primarily of U.S. Treasury and State of Israel bonds, mutual funds and publicly-traded stocks.

The Board of Directors directed the Endowment Fund to administer and manage all unrestricted bequests made to the Federation. The Endowment Fund invests these funds, unless otherwise directed by the Executive Committee, in the investment funds of the Endowment Fund. The principal of these funds may be distributed to the annual campaign and, upon a vote of a majority of the Federation Board of Directors or Executive Committee, principal and/or income may be distributed for other Federation budgetary needs. At June 30, 2014, the total Federation reserve funds invested in the Investments – Endowment Fund, were approximately $4.8 million, which is included in the $177,764,595 below.

Investments consist of the following at June 30, 2014:

Investment – Endowment Fund:	
Alternative Investments:	
Absolute Return	$ 17,167,221
Directional Hedge	25,175,628
Private Equity	3,072,083
Real Assets	13,315,838
International Equity	13,946,064
Fund of Funds – Private Equity	18,887,934
Fixed Income Fund – Global	11,255,058
Publicly Traded:	
Domestic Equity Funds	18,423,437
Fixed Income Fund	21,359,066
International Equity Fund	7,019,806
Global Equity	22,652,842
Multi-Strategy	613,526
Other:	
Cash and cash equivalents	1,681,183
Israel Bonds	3,181,409
Loans to beneficiary organizations	13,500
Total Endowment Fund investments	$ 177,764,595
Investments – Federation:	
Loans to beneficiary organizations	$ 425,640
Israel Bonds	165,120
Total Federation investments	$ 590,760
Total investments	$ 178,355,355
Less: amounts due to agencies and supporting organizations	34,963,164
Total investments, net of agencies	$ 143,392,191

Amounts due to agencies and supporting organizations represent funds transferred to the Federation to be managed on behalf of certain local and national agencies. The receipt, allocation of investment gains and losses and subsequent distribution of these funds are accounted for as pass-through transactions, and thus are not reflected in the accompanying consolidated statement of activities.

Investment return consists of the following for the year ended June 30, 2014:

Unrealized and realized gains	$ 17,303,676
Interest and dividends	1,534,618
Less: investment fees	(250,416)
Total investment return	$ 18,587,878

4. Land, Building and Equipment

Land, building and equipment, and accumulated depreciation and amortization at June 30, 2014, and depreciation and amortization expense for the year ended June 30, 2014, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation and Amortization	Net	Depreciation and Amortization Expense
Building	39 years	$13,750,079	$ 444,201	$13,305,878	$ 345,794
Land	n/a	2,534,100	-	2,534,100	-
Other tenant improvements	3-40 years	10,275	10,275	-	-
Computers and software	3-7 years	1,612,647	1,205,093	407,554	145,684
Furniture and equipment	3-10 years	546,985	513,493	33,492	22,162
Total land, building and equipment		$18,454,086	$ 2,173,062	$16,281,024	$ 513,640

5. Asset Held for Sale

The Federation has a building under capital lease, building improvements and other immovable furniture and equipment. On February 28, 2014, the Federation accepted an offer from Hebrew Home of Greater Washington, Inc. (Hebrew Home) to sell the building under capital lease for $2 million. The Federation assessed that the criteria of ASC 360 "*Property, Plant and Equipment*" for classifying an asset as asset held for sale was met at the date the offer to purchase the building was accepted hence, the Federation reclassified the balance of the building under capital lease, including related building improvements and other immovable furniture and equipment as asset held for sale.

The total cost of the building under capital lease, building improvements and other immovable furniture and equipment amounted to $6,852,640 and the related accumulated depreciation amounted to $4,613,354 resulting to a net book value of $2,239,286. The difference between the net book value and the agreed selling price of the asset (assumed fair value) is $239,286 has been presented as fair value adjustment on asset held for sale in the consolidated statement of activities.

Management completed the sale of the asset held for sale on November 7, 2014.

6. Allocations to Beneficiary Organizations

The Federation's Board of Directors authorizes all allocations from Federation funds and its endowment fund each fiscal year. Allocations for the year ended June 30, 2014, are as follows:

	Unrestricted	Community Security	Endowment	Total
International Allocations				
Jewish Federations of North America	$ 3,328,200	$ -	$ -	$ 3,328,200
Other international beneficiaries	-	-	139,497	139,497
Total international allocations	**$ 3,328,200**	**$ -**	**$ 139,497**	**$ 3,467,697**
National Allocations				
Other Jewish National Agencies	$ 40,000	-	$ 1,846,778	$ 1,886,778
Jewish Federations of North America	-		1,327,600	1,327,600
Jewish Federations of North America Collective Responsibility	837,000	-	-	837,000
Other National Agencies	-	-	650,067	650,067
Birthright Israel Fair Share	207,000	$ -	-	207,000
Joint Budgeting Council	130,900	-	-	130,900
Other Jewish Federations	-	-	40,350	40,350
National Funding Council	10,800	-	-	10,800
Total national allocations	**$ 1,225,700**	**$ -**	**$ 3,864,795**	**$ 5,090,495**
Local Allocations				
Jewish Social Service Agency	$ 922,980	$ -	$ 184,340	$ 1,107,320
Jewish Community Center of Greater Washington	752,620	-	75,616	828,236
Jewish Community Relations Council	587,405	-	86,680	674,085
Washington D.C. Jewish Community Center	389,489	-	195,830	585,319
Charles E. Smith Day School	479,952	22,500	49,209	551,661
Coming of Age	457,515	-	-	457,515
Jewish Community Center/NOVA	316,744	-	85,925	402,669
Melvin J. Berman Hebrew Academy	306,662	21,500	61,373	389,535
Jewish Council for the Aging	290,659	-	53,916	344,575
Jewish Foundation for Group Homes	183,423	-	89,135	272,558
Other Jewish Schools	198,527	-	54,453	252,980
Gesher Jewish Day School	66,685	21,500	405	88,590
Capital Camps and Retreat Centers	116,535	-	43,104	159,639
Torah School of Greater Washington	138,361	12,000	8,600	158,961
Jewish Primary Day School	135,639	21,500	680	157,819
Yeshiva of Greater Washington	89,367	-	49,050	138,417
Charles E. Smith Life Communities	-	-	66,029	66,029
Initiative in Congregational Education	53,301	-	-	53,301

	Unrestricted	Community Security	Endowment	Total
Jewish Counsel Against Domestic Abuse	49,021	-	-	49,021
Jewish Historical Society of Greater Washington	17,622	-	16,121	33,743
Sulam	-	-	9,100	9,100
Other allocations to Jewish Organizations	76,747	-	-	76,747
Other allocations from donor advised funds	-	-	9,021,590	9,021,590
Total local allocations	**$ 5,629,254**	**$ 99,000**	**$ 10,151,156**	**$ 15,879,410**
Total allocations 2014	**$ 10,183,154**	**$ 99,000**	**$ 14,155,448**	**$ 24,437,602**

7. Line-of-Credit

The Federation obtained an unsecured $6,000,000 line-of-credit from PNC Bank, which matures March 30, 2015. The line-of-credit bears interest at the LIBOR rate plus 1.25%, which was 1.4% at June 30, 2014. The outstanding balance under this line-of-credit at June 30, 2014, was $3,660,700.

8. Long-term Debt

Long-term debt consists of the following at June 30, 2014:

Colorado Educational and Cultural Facilities Authority Variable Rate Demand Revenue Bonds	**$ 8,600,000**
Taxable Variable Rate Demand Bond	**4,525,000**
Long-term debt	**13,125,000**
Less: current portion	**290,000**
Long-term debt, net of current portion	**$ 12,835,000**

To finance the building acquisition and additional improvements, Jewish Federation and JFGW Building LLC issued as co-borrowers, a mix of tax-exempt bonds and taxable debt through the National Jewish Federation Bond Program and PNC Bank.

On March 19, 2013, the Colorado Educational and Cultural Facilities Authority on behalf of the Federation issued an $8,600,000 tax-exempt bond which matures on March 1, 2043. The bond is subject to monthly interest at a rate of 70% of Libor plus 107 basis points. Interest is payable monthly commencing on April 1, 2013. The bond is subject to periodic principal redemption starting on October 1, 2027. On the same date, the Federation issued a $4,800,000 taxable bond which matures on April 1, 2027. The bond is subject to monthly interest at a rate of Libor plus 105 basis points. Interest is payable monthly commencing on April 1, 2013. The first principal payment date is on October 1, 2013. The Federation incurred bond issue costs on these debts amounting to $167,075. Interest expense incurred on the bonds in 2014 amounted to $175,780.

The Federation is required to comply, among others, every December 31 and June 30 commencing on June 30, 2014 a ratio of Unrestricted Liquid Assets to Funded Debt of not less than 1.00 to 1.00. The Federation is in compliance with the covenant ratio at June 30, 2014.

In relation to the above debts, on April 1, 2013, the Federation entered into two interest rate swaps to minimize cash flow fluctuations of interest payments caused by the volatility of Libor, which is the index rate upon which interest are calculated. The first swap has a notional value of $8 million and matures on March 1, 2028 and has fixed the interest rate of the tax-exempt bond at 2.82%. The second swap has a notional value of $4.4 million and matures on October 1, 2026 and has fixed the interest rate on the taxable bonds at 2.72%. Interest expense incurred in relation to these swaps amounted to $178,574 in 2014.

Maturities of debt are as follows:	
2015	$ 290,000
2016	295,000
2017	305,000
2018	315,000
2019	325,000
Thereafter	11,595,000
	$ 13,125,000

9. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor-restricted funds, which are only available for program services or general support designated for future years. Temporarily restricted net assets were released from restrictions during the year ended June 30, 2014, due to the purpose restrictions being accomplished.

Activity in the temporarily restricted net assets during the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Contributions and Changes	Investment Return	Released from Restrictions	Balance June 30, 2014
Endowment Fund	$ 57,239,126	$ 2,936,688	$ 10,844,536	$ (4,226,320)	$ 66,794,030
Federation	2,494,365	812,248	-	(1,039,789)	2,266,824
Total temporarily restricted net assets	$ 59,733,491	$ 3,748,936	$ 10,844,536	$ (5,266,109)	$ 69,060,854

10. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following at June 30, 2014:

Donor Designated funds	$	11,735,968
Field of interest		5,584,458
General funds		3,869,719
Donor advised funds		2,979,867
Total permanently restricted net assets	$	24,170,012

11. Endowment

Endowment Net Asset Classifications - In August 2008, FASB issued ASC 958-205, "*Reporting Endowment Funds*." ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization. The Federation is subject to the State of Maryland's Uniform Prudent Management of Institutional Funds Act (UPMIFA), and has adopted ASC 958-205 as of July 1, 2008, as required.

The Federation has interpreted the State of Maryland's UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The associated gains and income on donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Federation to retain as a fund of perpetual duration. As of June 30, 2014, there were no deficiencies of this nature that are reported in unrestricted net assets.

Endowment Investment and Spending Policies – Endowment assets include those assets of donor-restricted funds that the Federation must hold in perpetuity or for a donor-specified period. The Federation has adopted investment and spending polices for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment.

The primary financial objective of the investment policy is to maintain intergenerational equity by preserving and enhancing real purchasing power, while at all times keeping in mind the utmost importance of protecting capital. The primary investment objective of the investment policy is to secure sufficient income and portfolio growth over time to meet the ongoing requirements of the Federation. The Federation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Federation's spending policy governs the use of resources in the various endowment funds for program expenses and administrative costs. Endowment funds are used for the specified purpose, or over the specified time period, as indicated by the donor. Endowment funds for which there is some discretion in how the funds are expended are not used to cover operating deficits in specific units.

The annual amount made available for spending, also known as the annual "spending rate", from endowment funds is determined as 4.5% of the 20-quarter trailing average market value of the endowment.

The Federation's endowment consists of funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The following table represents the changes in endowment net assets for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 42,840,880	$ 57,239,126	$ 23,142,155	$ 123,222,161
Investment income	467,496	3,029,455	-	3,496,951
Net appreciation of investments	7,265,724	7,815,081	-	15,080,805
Contributions	10,818,805	2,936,688	1,027,857	14,783,350
Amounts appropriated for expenditures	(14,188,909)	(4,226,320)	-	(18,415,229)
Transfer to/from Federation/Endowment	(743,267)	-	-	(743,267)
Endowment net assets, end of year	$ 46,460,729	$ 66,794,030	$ 24,170,012	$ 137,424,771

The amount shown in this footnote as permanently restricted net assets agrees to the total of permanently restricted net assets on the consolidated statement of financial position. The amounts shown in this footnote only reflect the endowment net assets and the classification of the components. Thus, the amounts shown in the footnote as unrestricted and temporarily restricted do not appear in the consolidated statement of financial position as separate amounts. These amounts are included in the totals shown in the consolidated statement of financial position for these net asset classes.

12. Retirement Plans

Defined Benefit Plan: The Federation sponsors a defined benefit pension plan, which covers all employees who have worked at least 1,000 hours and have attained age 21. The Plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the Federation and compensation near retirement. Contributions to the Plan reflect benefits attributed to employees' services to date as well as services expected to be earned in the future. Effective July 1, 2004, the Federation froze the defined benefit pension plan.

The investment objective of the Plan is to maintain the purchasing power of the current assets by producing positive real rates of return on Plan assets, achieve a fully funded status with regard to the benefit obligation, have the ability to pay all benefit and expense obligations when due, and maximize return within reasonable and prudent levels of risk in order to minimize contributions and to control costs of administering the Plan and managing the investments.

The Plan also follows ASC 820-10 (see Summary of Significant Accounting Policies). Following is a description of the valuation methodologies used for assets measured at fair value. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Mutual Funds - Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include government securities, bonds and global equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These instruments, which would generally be classified within Level 2 of the valuation hierarchy, include corporate and municipal bonds, mortgage-backed securities and asset backed securities.

Alternative Investments - These investments include private equity funds, hedge funds, real estate funds, venture capital funds, commodity funds, and fund of funds which are subject to certain restrictions and generally have no established trading market. Fair value is determined based on the fund's net asset value (NAV) as provided by the investee fund management or general partner of the respective entity, unless other factors lead to a determination of a fair value at a different amount. These adjustments are made in cases where certain features and conditions of the investment warrant a further adjustment, either a discount or premium, to NAV such as recent financial information received.

All of the alternative investments have been audited by national audit firms that have issued unqualified opinions. Included in the alternative investments at June 30, 2014, is $14,396 in comingled hedge funds. The investment objective of the comingled hedge funds is to seek capital appreciation by allocating assets among private investments to produce an absolute return. These investments are often called "Fund of Funds." The fund managers of these funds are highly transparent with respect to reporting and disseminating data regarding their holdings.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Federation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the Plan's investments that are measured at fair value as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Money Market	$ -	$ 39,496	$ -	$ 39,496
Balance Mutual Fund	308,190	-	$ -	308,190
Fixed Income	3,230,062	-	-	3,230,062
Equity Income	2,823,675	-	-	2,823,675
Diversified Real Asset	-	327,704	-	327,704
Large Capital Blend	-	1,136,007	-	1,136,007
Alternative Investments:				
Commingled Hedge Funds	-	-	14,396	14,396
Total investments at fair value	$ 6,361,927	$ 1,503,207	$ 14,396	$ 7,879,530

The following table presents the Plan's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 820 for the year ended June 30, 2014:

	Commingled Hedge Funds
Beginning balance	$ 14,831
Net realized and unrealized loss	(435)
Purchases	-
Sales	-
Net transfer in and out of level 3	-
Ending balance	$ 14,396

Plan assets are allocated as follows at June 30, 2014:

Money Market Mutual Funds	1%
Balance Mutual Fund	4%
Fixed Income	41%
Equity Income	36%
Diversified Real Asset	4%
Large Capital Blend Mutual Funds	14%
Commingled Hedge Funds	0%
Total Plan assets	100%

The changes in the funded status of the Federation's pension plan for the year ended June 30, 2014 was as follows:

Change in benefit obligation:		
Benefit obligation at beginning of year	$	(8,874,914)
Interest cost		(367,145)
Benefits paid		462,542
Actuarial loss		(66,537)
Benefit obligation at end of year		(8,846,054)
Change in Plan assets:		
Fair value of plan assets at beginning of year		7,139,078
Employer contribution		300,000
Actual gains		441,308
Expected return on plan assets		461,686
Benefits paid		(462,542)
Fair value of plan assets at end of year		7,879,530
Funded status (accrued pension liability)	$	(966,524)

The accrued pension liability for the Plan is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

Employer contributions are expected to be approximately $400,000 for the year ending June 30, 2015.

Assumptions: Weighted average assumptions used to determine net periodic pension cost and benefit obligations are as follows:

Discount rate	4.25%
Expected long-term of return on assets	6.5%

The expected long-term rate of return on assets was determined by multiplying the historical rate of return for an asset class by the percentage of Plan assets invested in that class and then adding the result for all classes. In general, it was based on returns for the Plan and the Plan's target asset allocation.

The components of the Federation's pension benefit for the years ended June 30, 2014 consist of the following and are offset against expenses in the consolidated statement of activities:

Employee service cost	$	-
Interest cost		367,145
Expected return on plan assets		(461,686)
Amortization of gains or losses		134,627
Total	$	40,086

There are no items not yet recognized as a component of the net periodic pension cost for the year ended June 30, 2014.

Based on current data and assumptions, the following benefit payments are expected to be paid over the next ten years:

Years Ending June 30,		
2015	$	502,116
2016	$	540,828
2017	$	538,104
2018	$	614,376
2019	$	607,488
2020 to 2024	$	2,986,068

Given the estimates included in the calculation of this benefit obligation, it is possible amounts recorded under this Plan may change in the near term. As stated earlier in the Summary of Significant Accounting Policies, the value of the Federation's investments has a direct impact on its funded status. The actual impact, if any, and future required contributions cannot be determined at this time.

Defined Contribution Plan: The Federation has a defined contribution pension plan. Employees are eligible to participate after one year of service and 21 years of age. The Federation contributes 5% of eligible salaries for all employees except those 55 years or older where it contributes 6% to the plan annually at the Federation's discretion. Total pension expense for the year ended June 30, 2014, was $309,949.

Deferred Compensation Plan: The Federation has a frozen deferred compensation plan to provide supplemental retirement benefits to nine former employees. The Federation does not fund this plan. The Federation recorded an actuarially calculated reserve, which is included in accounts payable and accrued expenses. The total reserve for the deferred compensation plan at June 30, 2014 was $571,168.

Also, in December 1, 2011, the Federation adopted a 457(b) deferred compensation plan established for a key employee. The plan has an outside administrator who invests the funds at the direction of the participant. The deferred compensation liability and the related funds associated with the plan are included in other assets and accounts payable and accrued expenses, respectively, in the accompanying consolidated statement of financial position.

13. Commitments and Contingencies

Commitments

Certain alternative investments, which include private equity investments, have rolling lockups ranging from one to five years. The Federation is obligated under certain limited partnership agreements to fund certain partnership investments periodically up to a specified level. At June 30, 2014, the Federation had unfunded commitments of $3,470,113. Such commitments are generally called over periods of up to seven years and contain fixed expiration dates or other termination clauses.

Federal Programs

The Federation participates in a federally assisted grant program which is subject to financial and compliance audits by the federal agency or their representative. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

Tenant Income

The minimum future lease rental income is as follows:

Years ending June 30,		
2015	$	1,228,575
2016		1,184,152
2017		911,315
2018		735,375
2019		737,567
Thereafter		268,792
Total	$	5,065,776

14. Fair Value Disclosure of Financial Instruments

The estimated fair values of the financial instruments of the Federation are as follows at June 30, 2014:

Description		Carrying Amount		Fair Value
Assets:				
Cash and cash equivalents	$	2,505,867	$	2,505,867
Restricted cash	$	3,637,470	$	3,637,470
Promises to give	$	5,362,886	$	8,850,389
Charitable remainder trusts	$	138,793	$	138,793
Investments	$	178,355,355	$	178,355,355
Liabilities:				
Long-term debt	$	13,125,000	$	13,125,000
Split-interest agreements	$	8,347,496	$	8,347,496
Interest rate swap liability	$	314,457	$	314,457

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and restricted cash: The carrying value is considered to be a reasonable estimate of the fair value.

Promises to give: Promises to give are recorded at fair value when the notice of intent is received. The fair value of promises to give is estimated by discounting the estimated future cash flows to their present values, using the risk free rates of interest at the date of the consolidated statement of financial position.

Charitable remainder trusts: The Federation has interests in two charitable remainder trusts for which it does not act as trustee. The fair values of these trust assets, which are reported at the market value of the investments reported by the trustees, have been identified as Level 3 in the fair value hierarchy due to the uncertainty of the timing of receipt.

Investments:
Mutual Funds - Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include government securities, bonds and global equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These instruments, which would generally be classified within Level 2 of the valuation hierarchy, include corporate and municipal bonds, Israel bonds, mortgage-backed securities and asset-backed securities.

Alternative Investments - These investments include absolute return, directional hedge, private equity, real assets, international equity, fund of funds - private equity, and commingled trusts - international equity, which are subject to certain restrictions and generally, have no established trading market. Fair value is determined based on the fund's net asset value (NAV) as provided by the investee fund management or general partner of the respective entity, unless other factors lead to a determination of a fair value at a different amount. These adjustments are made in cases where certain features and conditions of the investment warrant a further adjustment, either a discount or premium, to NAV, such as recent financial information received.

Included in the alternative investments is $17,167,221 in absolute return. The strategies of the absolute return investments is to make positive returns by employing investment management techniques that differ from traditional mutual funds using short selling, futures, options, derivatives, leverage and unconventional assets.

$25,175,628 of alternative investments are in directional hedge funds. The objective of the directional hedge funds is to maintain exposure to the stock market seeking higher returns over the long run. Also included in the alternative investments are investments in real assets of $13,315,838 which are invested in areas that offer strong relative performance in rising inflation environments.

Private equity makes up $3,072,083 of alternative investments which seek to acquire a diversified portfolio of private investments, leveraged buyouts, mezzanine and venture capital funds.

$13,946,064 of alternative investments that are in international equities is primarily invested in global and domestic equities.

Included in the alternative investments is $18,887,934 in commingled funds. The strategies of the commingled funds are to seek capital appreciation by allocating assets among private investments to produce an absolute return. These investments are often called "Fund of Funds."

$11,255,058 of alternative investments that are in fixed income fund – global are primarily invested in world stocks which include a collection of stocks of all the developed markets in the world.

Split-interest agreements: Split-interest agreements are calculated at the present value of future cash flows which approximates fair market value.

Interest rate swap liability: The estimate of fair value of the interest rate swap liability at year end approximates its carrying amount, which represents the amount the Federation would pay to exit the swap agreement taking into account current interest rates. Given that the swaps do not have quoted market prices and are not actively traded, their valuation is based on Level 3 inputs within the hierarchy used in measuring fair value.

The following table sets forth the fair values of financial assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2014:

Description	Level 1	Level 2	Level 3	Total
Charitable remainder trusts	$ -	$ -	$ 138,793	$ 138,793
Investment - Endowment Fund:				
Alternative Investments:				
Absolute Return	-	-	17,167,221	17,167,221
Directional Hedge	-	-	25,175,628	25,175,628
Private Equity	-	-	3,072,083	3,072,083
Real Assets	-	-	13,315,838	13,315,838
International Equity	-	-	13,946,064	13,946,064
Fund of Funds – Private Equity	-	-	18,887,934	18,887,934
Fixed Income Fund - Global	-	-	11,255,058	11,255,058
Publicly Traded:				
Domestic Equity Funds	18,423,437	-	-	18,423,437
Fixed Income Fund	21,359,066	-	-	21,359,066
International Equity Fund	7,019,806	-	-	7,019,806
Global Equity	22,652,842	-	-	22,652,842
Multi-Strategy	613,526	-	-	613,526
Other:				
Cash and cash equivalents	1,681,183	-	-	1,681,183
Israel Bonds	-	3,181,409	-	3,181,409
Loans to beneficiary organizations	-	13,500	-	13,500
Investment – Federation:				
Loans to beneficiary organizations	-	425,640	-	425,640
Israel Bonds	-	165,120	-	165,120
Total assets, at fair value	$ 71,749,860	$ 3,785,669	$ 102,958,619	$ 178,494,148
Split-interest agreements	$ -	$ -	$ (8,347,496)	$ (8,347,496)
Interest rate swap liability	-	-	(314,457)	(314,457)
Total liabilities, at fair value	$ -	$ -	$ (8,661,953)	$ (8,661,953)

The following table sets forth the reconciliation of beginning and ending balances related to fair value measurements for assets using significant unobservable inputs (Level 3):

	Charitable remainder trusts	Alternative Investments	Total
Balance as of June 30, 2013	$ 138,805	$ 95,830,244	$ 95,969,049
Net realized and unrealized (loss) gain	(12)	13,620,311	13,620,299
Purchases	-	3,543,981	3,543,981
Sales	-	(10,174,710)	(10,174,710)
Balance as of June 30, 2014	$ 138,793	$ 102,819,826	$ 102,958,619

There were no transfers in and out of level 3.

The following table sets forth the reconciliation of beginning and ending balances related to fair value measurements for liabilities using significant unobservable inputs (Level 3):

	Split-interest agreements	Interest rate swap liability	Total
Balance as of June 30, 2013	$ (8,895,360)	$ (524,378)	$ (9,419,738)
Net realized and unrealized gain	-	209,921	209,921
Decrease in Remainder Interest Payable	142,114	-	142,114
Decrease in Annuity Payable	405,750	-	405,750
Net transfers in and out of Level 3	-	-	-
Balance as of June 30, 2014	$ (8,347,496)	$ (314,457)	$ (8,661,953)

Quantitative Information - Quantitative information as of June 30, 2014, with respect to assets and liabilities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) follows:

Description	**Fair Value as of June 30, 2014**	**Principal Valuation Techniques**	**Unobservable Inputs**	**Weighted Average**
Charitable remainder trusts	**$ 138,793**	Income Approach	Discount Rates Life Expectancies Payouts Allocation Percentages	N/A
Split-interest agreements	**$(8,347,496)**	Income Approach	Discount Rates Life Expectancies Payouts Allocation Percentages	N/A

Quantitative unobservable inputs are not developed by the Federation in the valuation of its investments or swap liabilities. The Federation uses the values reported by each fund manager as the basis for valuation noting that the valuation techniques and unobservable inputs vary widely among its fund managers. The swap liabilities are non-complex instruments and are valued using standard yield curves adjusted to mid-market values as deemed appropriate by the counterparties.

Level 3 Valuation Process - Absent a solid, reliable quantitative model to assess the reasonableness of investment manager reported valuations, management applies qualitative measures which consist of various informational analyses including:

- Comparisons of reported performance to benchmark performances.
- Reviews of external audit reports of each fund.
- Reviews of SSAE16 reports of each fund where available.
- Monitoring and evaluations of relevant news in the financial press.
- Participation in conference calls, presentations, or investor meetings conducted by investment managers.
- Consideration and review of non-public information available through subscription financial information services and/or communications from individual fund managers.
- Consideration of fund managers' delivery of quality and timely fund performance information, risk analysis, market outlook analysis and overall responsiveness to investor queries and requests for information.

The Federation's investment advisor also performs on-going due diligence of the funds which includes evaluation of each fund manager's investment process, organizational changes, compliance with applicable rules and regulations, review of fees and charges, and analysis of performance, leverage, return patterns, volatility over time, drawdowns and recovery periods, gross and net exposures, and other factors as determined to be appropriate. The investment advisor also has regular calls with management of the funds and meets periodically with the Federation's investment committee and reports the performance of the funds. There were no changes in valuation techniques noted for these funds for 2014.

For swap liabilities, the Federation tracks quoted values for each instrument monthly to assess the reasonableness of reported values. Management also ensures that there have not been any changes in the underlying terms of each swap during the year.

15. Net Asset Value (NAV) Per Share

In accordance with ASU 2009-12, "*Fair Value Measurements and Disclosures (Topic 820) – Investment in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)",* the Federation expanded disclosures to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which fair value is not readily determinable, as of June 30, 2014. For the Federation, such assets include the alternative investments.

The following table sets forth a summary of the Federation's investments with a reported NAV as of June 30, 2014:

Investment Type	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Notice Period (Days)**
Alternative Investments				
Absolute Return	$ 17,167,221	$ -	monthly, quarterly, annually	45-120
Directional Hedge	25,175,628	-	monthly, quarterly, annually	45-120
Private Equity	3,072,083	67,433	No immediate liquidity*	n/a
Real Assets	13,315,838	574,719	No immediate liquidity*	n/a
International Equity	13,946,064	-	Monthly	30
Fund of Funds – Private Equity	18,887,934	2,827,961	No immediate liquidity*	n/a
Fixed Income Fund - Global	11,255,058	-	Monthly	15
	$102,819,826	$ 3,470,113		

Non-marketable alternative assets (NMAA), or alternative investments, included above have varying withdrawal restrictions. The typical NMAA fund cycle provides for an initial investment period of 1-5 years, a growth management phase of 2-7 years, and realization/distribution of investment returns over years 7-10.

16. Supplemental Disclosures of Cash Flow Information

The Federation and Subsidiary paid $403,235 for interest for the year ended June 30, 2014.

The Federation and Subsidiary paid $533,978 for income taxes for the year ended June 30, 2014.

17. Subsequent Events

The Federation completed the sale of the asset held for sale in November 7, 2014. The agreement required Hebrew Home to pay the Federation $400,000 in cash and execute an interest bearing promissory note in the amount of $1.6 million. The promissory note bears an annual interest of 5%. The Federation evaluated subsequent events through February 18, 2015 which is the date the consolidated financial statements were available to be issued. No other subsequent events were noted that required disclosure in the consolidated financial statements.