The Jewish Federation of Greater Washington, Inc. and Subsidiary

Consolidated Financial Statements
Year Ended June 30, 2018

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Consolidated Financial Statements

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Contents

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Independent Auditor's Report

To the Board of Directors
The Jewish Federation of Greater Washington, Inc. and Subsidiary
North Bethesda, 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, 2018, 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, 2018, 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 2017 consolidated financial statements, and our report dated February 21, 2018, 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, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

February 10, 2019

Consolidated Financial Statements

The Jewish Federation of Greater Washington, Inc. and Subsidiary

Consolidated Statement of Financial Position

June 30,	2018	2017
Assets		
Cash and cash equivalents	**$ 3,053,064**	$ 1,471,761
Receivables, net	**4,904,406**	7,954,076
Note receivable	**-**	1,600,000
Investments	**223,911,945**	206,453,709
Cash surrender value of life insurance	**6,973,967**	6,721,533
Other assets	**552,410**	590,371
Land, building and equipment, net	**18,733,838**	19,179,694
Interest rate swap receivable	**262,495**	-
Donated assets - land and property	**567,795**	567,795
Total assets	**$ 258,959,920**	$ 244,538,939
Liabilities and net assets		
Liabilities		
Allocations to beneficiary organizations	**$ 10,337,288**	$ 9,907,377
Accounts payable and accrued expenses	**5,564,192**	5,828,491
Due to agencies and supporting organizations	**33,498,159**	32,310,002
Line-of-credit	**-**	80,000
Long-term debt, net	**11,782,340**	12,091,772
Split-interest agreements	**7,863,037**	8,228,251
Interest rate swap liability	**-**	123,216
Total liabilities	**69,045,016**	68,569,109
Commitments and contingencies		
Net assets		
Unrestricted	**76,882,324**	70,999,342
Temporarily restricted	**85,986,319**	78,657,198
Permanently restricted	**27,046,261**	26,313,290
Total net assets	**189,914,904**	175,969,830
Total liabilities and net assets	**$ 258,959,920**	$ 244,538,939

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, 2018
(with summarized comparative information for the year ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Support and revenue					
Contributions - Endowment Fund	$ 10,049,240	$ 3,094,649	$ 596,935	$ 13,740,824	$ 22,697,798
Contributions - Federation	14,915,525	1,060,467	-	15,975,992	19,972,733
Other	802,418	-	-	802,418	774,827
Investment return, net	6,832,579	9,112,995	-	15,945,574	17,258,880
Net assets released from restrictions	5,938,990	(5,938,990)	-	-	-
Total support and revenue	38,538,752	7,329,121	596,935	46,464,808	60,704,238
Commercial building operations					
Revenues	1,389,258	-	-	1,389,258	1,355,767
Expenses	(2,013,254)	-	-	(2,013,254)	(2,084,400)
Net unrealized gain on interest rate swap	385,711	-	-	385,711	674,769
Net loss on commercial building operations	(238,285)	-	-	(238,285)	(53,864)
Total support, revenue and commercial building operations	38,300,467	7,329,121	596,935	46,226,523	60,650,374
Expenses					
Program services					
Allocations to beneficiary organizations	20,184,646	-	-	20,184,646	19,349,529
Community planning and outreach program	3,895,065	-	-	3,895,065	3,449,964
Total program services	24,079,711	-	-	24,079,711	22,799,493
Supporting services					
Fundraising	3,642,609	-	-	3,642,609	4,032,917
Management and central services	3,046,038	-	-	3,046,038	2,871,883
Total supporting services	6,688,647	-	-	6,688,647	6,904,800
Total expenses	30,768,358	-	-	30,768,358	29,704,293
Change in net assets before other revenue (expenses)	7,532,109	7,329,121	596,935	15,458,165	30,946,081
Change in value of split-interest agreements and annuity payments	(321,887)	-	-	(321,887)	(388,480)
Recovery of uncollectible promises to give	-	-	-	-	274,821
Provision for uncollectible promises to give	(265,512)	-	-	(265,512)	(523,719)
Others	(340,421)	-	-	(340,421)	(324,107)
Change in contributions received due to change in donors' intentions and circumstances	(136,036)	-	136,036	-	-
Defined benefit plan net periodic pension costs	(318,144)	-	-	(318,144)	(294,007)
Pension related changes other than net periodic pension costs	(267,127)	-	-	(267,127)	302,648
Change in net assets	5,882,982	7,329,121	732,971	13,945,074	29,993,237
Net assets, beginning of year	70,999,342	78,657,198	26,313,290	175,969,830	145,976,593
Net assets, end of year	$ 76,882,324	$ 85,986,319	$ 27,046,261	$ 189,914,904	$ 175,969,830

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, 2018
(with summarized comparative information for the year ended June 30, 2017)

	Program Services			Supporting Services				
	Allocations to Beneficiary Organizations	Community Planning and Outreach Program	Total Program Services	Fundraising	Management and Central Services	Total Supporting Services	2018 Total	2017 Total
Grant expenses	$ 20,184,646	$ -	$ 20,184,646	$ -	$ -	$ -	$ 20,184,646	$ 19,349,529
Salaries	-	1,652,691	1,652,691	2,175,287	1,686,085	3,861,372	5,514,063	5,708,410
Purchased services	-	596,975	596,975	466,317	136,627	602,944	1,199,919	1,237,787
Employee benefits	-	214,421	214,421	280,844	305,836	586,680	801,101	808,662
Payroll taxes	-	124,068	124,068	157,314	128,085	285,399	409,467	397,941
Travel and conference	-	281,191	281,191	37,182	60,540	97,722	378,913	218,486
Facility and equipment rentals	-	100,475	100,475	84,485	115,156	199,641	300,116	281,612
Printing and stationery	-	202,525	202,525	60,266	29,292	89,558	292,083	111,990
Missions	-	221,704	221,704	11,228	-	11,228	232,932	155,394
Banquets and functions	-	166,340	166,340	23,305	38,589	61,894	228,234	288,728
Depreciation and amortization expense	-	12,448	12,448	38,795	172,519	211,314	223,762	269,934
Publicity, promotion, and marketing	-	157,398	157,398	27,059	14,144	41,203	198,601	87,041
Telephone	-	29,269	29,269	29,661	51,180	80,841	110,110	171,935
Postage and mailing services	-	3,489	3,489	79,338	1,224	80,562	84,051	85,457
Professional fees	-	-	-	-	81,778	81,778	81,778	73,013
Office supplies and maintenance	-	17,604	17,604	7,618	27,647	35,265	52,869	48,550
Insurance premium expenses	-	-	-	-	49,154	49,154	49,154	35,997
Other	-	114,467	114,467	163,910	148,182	312,092	426,559	373,827
Total expenses 2018	$ 20,184,646	$ 3,895,065	$ 24,079,711	$ 3,642,609	$ 3,046,038	$ 6,688,647	$ 30,768,358	
Total expenses 2017	$ 19,349,529	$ 3,449,964	$ 22,799,493	$ 4,032,917	$ 2,871,883	$ 6,904,800		$ 29,704,293

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,	**2018**	2017
Cash flows from operating activities		
Change in net assets	**$ 13,945,074**	$ 29,993,237
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	**801,469**	844,891
Recovery of uncollectible promises to give	**-**	(274,821)
Provision for uncollectible promises to give	**265,512**	523,719
Present value change applied to receivables	**55,234**	(35,247)
Split-interest agreements liability	**(365,214)**	(345,380)
Unrealized and realized gains	**(2,706,512)**	(14,737,028)
Gain on interest rate swaps	**(385,711)**	(674,769)
Permanently restricted contributions	**(596,935)**	(136,196)
Amortization of debt issuance costs	**5,570**	5,570
Decrease (increase) in assets		
Receivables	**2,728,924**	(1,462,111)
Other assets	**37,961**	(419,269)
Increase (decrease) in liabilities		
Allocations to beneficiary organizations	**429,911**	(135,624)
Accounts payable and accrued expenses	**(264,299)**	258,191
Due to agencies and supporting organizations	**1,188,157**	(2,274,796)
Net cash provided by operating activities	**15,139,141**	11,130,367
Cash flows from investing activities		
Purchases of investments	**(75,297,257)**	(61,446,817)
Proceeds from sale of investments	**60,545,533**	51,305,461
Change in cash surrender value of life insurance	**(252,434)**	(326,753)
Purchases of land, building and equipment	**(355,613)**	(77,407)
Net cash used in investing activities	**(15,359,771)**	(10,545,516)
Cash flows from financing activities		
Proceeds from line-of-credit	**2,200,000**	1,230,000
Payments on line-of-credit	**(2,280,000)**	(2,600,000)
Payment of long-term debt	**(315,002)**	(305,000)
Proceeds from notes receivable	**1,600,000**	-
Proceeds from permanently restricted contributions	**596,935**	136,196
Net cash provided by (used in) financing activities	**1,801,933**	(1,538,804)
Increase (decrease) in cash and cash equivalents	**1,581,303**	(953,953)
Cash and cash equivalents, beginning of year	**1,471,761**	**2,425,714**
Cash and cash equivalents, end of year	**$ 3,053,064**	$ 1,471,761

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 61 local agencies and programs, 13 national organizations, 16 overseas partners and programs, and more than 90 congregations.

To accomplish our goals, The Jewish Federation works collaboratively with its partners to provide funding, community planning, and leadership development that impacts some 300,000 Jewish individuals, as well as many members of the general community throughout Washington, DC, suburban MD and Northern VA. Around the world, our efforts support rescue, relief, reconstruction, and renewal for tens of thousands more in Israel and in more than 70 countries around the world.

The Jewish Federation envisions an open, connected, and vibrant Jewish community that cares for each other, fosters Jewish learning and journeys, embraces Jewish peoplehood and Israel, and acts as a force for good in the world. As a mission-driven organization, we work to inspire, build, and sustain vibrant Jewish life in a changing world by mobilizing our community in common purpose, intentional innovation, and effective action. From this work, we know that the Jewish community locally and abroad will continue to 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 consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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.

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 $921,141 (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 78 life insurance policies. The cash surrender value of these policies was $6,973,967 at June 30, 2018. The sum of all death benefits, which will be added to Endowment Fund assets after the death of the insured, is approximately $33.7 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 39 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.

Impairment of Long-Lived Assets

The Federation reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the long lived asset is reduced, by a charge to the consolidated statement of activities, to its carrying value.

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. The bond issuance costs are presented as a direct deduction from the face amount of the related liability, consistent with the presentation of debt discounts, in accordance with Accounting

Standards Update (ASU) 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*.

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.

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%.

The Federation serves as the administrator for all split-interest agreements. A third party holds amounts received and the Federation 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 and JFGW Building LLC paid $324,000 in federal and state income taxes during the fiscal year ended June 30, 2018, in connection with unrelated debt-financed income on certain partnerships owned by the Federation. No amounts were payable as of June 30, 2018.

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, 2018, the Federation did no pay interest and penalties.

The tax years ended June 30, 2016, 2017, and 2018, 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.

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.

Investments valued at Net Asset Value (NAV) – The Federation reports certain investments using NAV per share as determined by investment managers under the so called “practical expedient”. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. These investment funds are held as units or interest in institutional funds or limited partnerships, which are stated at the NAV or its equivalent. The Federation uses the NAV as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different then NAV.

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, 2017, from which the summarized information was derived.

Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09 *Revenue from Contracts with Customers* (Topic 606). The update establishes a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP, including those that previously followed industry-specific guidance. The principle of the update is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for fiscal year 2020. Management continues to evaluate the potential impact of this update on the consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria.

Statement of Financial Position recognition of finance and operating leases is similar, but the pattern of expense recognition in the statement of activities, as well as the effect on the statement of cash flows, differs depending on the lease classification. The new leases standard requires a lessor to classify leases as either sales-type, direct financing or operating, similar to existing U.S. GAAP. Classification depends on the same five criteria used by lessees plus certain additional factors. The subsequent accounting treatment for all three lease types is substantially equivalent to existing U.S. GAAP for sales-type leases, direct financing leases, and operating leases. However, the new standard updates certain aspects of the lessor accounting model to align it with the new lessee accounting model, as well as with the new revenue standard under Topic 606. Lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Management continues to evaluate the potential impact of this update on the consolidated financial statements.

In August 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. The ASU aims to improve presentation of financial information, ultimately making nonprofit financial reporting statements more informative, transparent and useful to readers. Key qualitative and quantitative requirements covered in the final ASU include:

- Net asset classes
- Investment return
- Expenses
- Liquidity and availability of resources
- Presentation of operating cash flows

The ASU is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. Management continues to evaluate the potential impact of this update on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. ASU 2018-08 will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. ASU 2018-08 is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. ASU 2018-08 is effective for transactions in which Federation serves as a resource provider to annual periods beginning after December 15, 2019.

2. Receivables

Receivables consist of the following at June 30, 2018:

Promises to give	$	5,624,257
Charitable remainder trusts		140,270
Other		202,851
		5,967,378
Less provision for doubtful promises to give		921,141
Less discount to net present value – charitable remainder trusts		140,270
Less discount to net present value – promises to give		1,561
		1,062,972
Total	$	4,904,406

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, 2018:

Promises to give in less than one year	$	5,607,457
Promises to give in one to five years		16,800
Total promises to give		5,624,257
Less provision for doubtful promises to give		921,141
Less discount to net present value		1,561
Net promises to give	$	4,701,555

Charitable Remainder Trusts

The Federation is aware that they are the beneficiary in at least one charitable remainder trust (the Trust). The Trust makes payments each year to the grantor for the duration of the Trust's term (the grantor's lifetime). At the end of the Trust's term, the remaining assets are available for the Federation's use. The individual administrators, who are third-party trustees, hold the assets. For the Trust, the Federation applied a 4% discount rate for the year ended June 30, 2018.

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, 2018, the total Federation reserve funds invested in the Investments – Endowment Fund, were approximately $7.3 million, which is included in the $223,862,251 below.

Investments consist of the following at June 30, 2018:

Investment – Endowment Fund:	
Alternative Investments:	
Absolute Return	**$ 18,171,915**
Directional Hedge	**30,440,436**
Private Equity	**3,528,571**
Real Assets	**1,921,625**
International Equity	**19,035,763**
Fund of Funds – Private Equity	**11,181,089**
Publicly Traded:	
Domestic Equity Funds	**54,448,054**
Fixed Income Fund	**25,123,754**
International Equity Fund	**17,982,445**
Global Equity	**34,991,423**
Domestic Equity	**624,021**
Multi-Strategy	**529,395**
Other:	
Cash and cash equivalents and others	**2,004,324**
Israel Bonds	**3,879,436**
Total Endowment Fund investments	**223,862,251**
Investments – Federation:	
Others	**47,880**
Israel Bonds	**1,814**
Total Federation investments	**49,694**
Total investments	**223,911,945**
Less: amounts due to agencies and supporting organizations	**33,498,159**
Total investments, net of agencies	**$ 190,413,786**

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 income, net of investment fees, consists of the following for the year ended June 30, 2018:

Interest and dividends	$ 2,706,512
Unrealized and realized gain	13,492,692
Less: investment advisory fees	(253,630)
Total investment income	$ 15,945,574

4. Land, Building and Equipment

Land, building and equipment, and accumulated depreciation and amortization at June 30, 2018, and depreciation and amortization expense for the year ended June 30, 2018, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation and Amortization	Net	Depreciation and Amortization Expense
Building	39 years	$17,741,565	$2,647,332	$15,094,233	$577,708
Land	n/a	2,534,100	-	2,534,100	-
Computers and software	3-7 years	1,359,439	950,609	408,830	141,023
Furniture and equipment	3-10 years	1,377,839	681,164	696,675	82,738
Total land, building and equipment		$23,012,943	$4,279,105	$18,733,838	$801,469

5. Note Receivable

The Federation had 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.

Management completed the sale of the asset held for sale to Hebrew Home on November 7, 2014. The Federation received $373,820 in cash and used $26,180 to pay off selling expenses of the $400,000 initial payment made by Hebrew Home and Hebrew Home executed a deed of trust note in the amount of $1,600,000. The note was subject to a 5% interest per annum and the note was payable on December 7, 2019. Interest income recognized on the note in 2018 amounted to $47,123. The note receivable was paid in full on December 29, 2017.

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, 2018, are as follows:

	Unrestricted	Community Security	Endowment	Total
International Allocations				
Jewish Federations of North America	$ 3,212,211	$ -	$ 668,765	$ 3,880,976
Other International Beneficiaries	-	-	1,505,894	1,505,894
Total international allocations	**$ 3,212,211**	**$ -**	**$ 2,174,659**	**$ 5,386,870**
National Allocations				
Jewish Federations of North America Collective Responsibility	$ 752,263	$ -	$ -	$ 752,263
Other National Agencies	-	-	892,447	892,447
Birthright Israel Fair Share	207,000	-	-	207,000
Other Jewish National Agencies	176,200	-	772,301	948,501
Other Jewish Federations	-	-	89,190	89,190
Total national allocations	**$ 1,135,463**	**$ -**	**$ 1,753,938**	**$ 2,889,401**
Local Allocations				
Jewish Social Service Agency	$ 949,830	$ -	$ 644,813	$ 1,594,643
Bender Jewish Community Center of Greater Washington	774,063	-	150,296	924,359
Jewish Community Relations Council	603,013	-	115,550	718,563
Charles E. Smith Day School	444,224	22,500	188,945	655,669
Edlavitch DCJCC	399,432	-	245,752	645,184
Jewish Community Center/NOVA	326,607	-	150,127	476,734
Holocaust Survivors Services	364,970	-	-	364,970
Melvin J. Berman Hebrew Academy	296,789	21,500	46,136	364,425
Jewish Council for the Aging	299,884	-	54,146	354,030
Campus Hillels	232,027	-	119,981	352,008
Gesher Jewish Day School	265,228	21,500	41,187	327,915
Coming of Age	244,098	-	82,352	326,450
Jewish Foundation for Group Homes	189,104	-	108,248	297,352
Capital Camps and Retreat Centers	120,078	-	137,450	257,528
Torah School of Greater Washington	180,571	12,000	20,630	213,201
Milton Gottesman Jewish Primary Day School	154,638	21,500	25,000	201,138
Yeshiva of Greater Washington	121,501	-	66,880	188,381
PJ Library	185,047	-	-	185,047
One Happy Camper	112,186	-	-	112,186
Jewish Coalition Against Domestic Abuse	49,719	-	51,110	100,829

	Unrestricted	Community Security	Endowment	Total
Interfaith Family	100,000	-	-	100,000
Youth Groups	83,236	-	-	83,236
Charles E. Smith Life Communities	-	-	73,361	73,361
Jewish Historical Society of Greater Washington	30,000	-	35,723	65,723
Initiative in Congregational Education	51,545	-	-	51,545
Sulam	25,000	-	-	25,000
Moishe House	25,000	-	-	25,000
Other allocations to Jewish Organizations	47,705	-	1,986,804	2,034,509
Other allocations to Local Agencies	-	-	789,389	789,389
Total local allocations	**$ 6,675,495**	**$ 99,000**	**$ 5,133,880**	**$ 11,908,375**
Total allocations 2018	**$ 11,023,169**	**$ 99,000**	**$ 9,062,477**	**$ 20,184,646**

7. Line-of-Credits

The Federation obtained two unsecured line-of-credits from PNC Bank totaling to $6,500,000, which mature March 31, 2019. The line-of-credits bear interest at the LIBOR rate plus 1.25%, which was 2.59% at June 30, 2018. There are no outstanding balance under the line-of-credits at June 30, 2018. Interest expense incurred on the line-of-credits in 2018 amounted to $4,194.

8. Long-term Debt

Long-term debt consists of the following at June 30, 2018:

Colorado Educational and Cultural Facilities Authority Variable Rate Demand Revenue Bonds	**$ 8,600,000**
Taxable Variable Rate Demand Bond	**3,320,000**
	11,920,000
Less: unamortized bond issue costs, net	**137,660**
Long-term debt, net	**11,782,340**
Less: current portion	**325,000**
Long-term debt, net of current portion	**$ 11,457,340**

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 that commenced 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 that commenced on April 1, 2013. The first principal payment date was on October 1, 2013. The Federation incurred bond issue costs on these debts amounting to $167,075. Interest expense incurred on the bonds in 2018 amounted to $270,935.

The Federation is required to comply, among others, every December 31 and June 30 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, 2018.

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 an initial notional value of $4.4 million (current notional value of $2.9 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 $62,720 in 2018.

Maturities of debt are as follows:	
2019	$ 325,000
2020	335,000
2021	345,000
2022	355,000
2023	370,000
Thereafter	10,190,000
	$ 11,920,000

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, 2018, due to the purpose restrictions being accomplished.

Activity in the temporarily restricted net assets during the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Contributions and Changes	Investment Return	Released from Restrictions	Balance June 30, 2018
Endowment Fund	$ 76,611,063	$3,094,649	$9,112,995	$ (4,898,229)	$83,920,478
Federation	2,046,135	1,060,467	-	(1,040,761)	2,065,841
Total temporarily restricted net assets	$ 78,657,198	$4,155,116	$9,112,995	$ (5,938,990)	$ 85,986,319

10. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following at June 30, 2018:

Donor Designated funds	$	11,944,626
Field of interest		7,872,230
General funds		3,867,851
Donor advised funds		3,361,554
Total permanently restricted net assets	$	27,046,261

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, 2018, 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, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 62,699,398	$ 76,611,063	$ 26,313,290	$ 165,623,751
Investment income	6,784,911	7,017,503	-	13,802,414
Net appreciation of investments	34,769	2,095,492	-	2,130,261
Contributions	11,665,907	3,094,649	596,935	15,357,491
Amounts appropriated for expenditures	(9,821,109)	(4,898,229)	-	(14,719,338)
Change in contributions received due to changes in donors' intention and circumstances	(136,036)	-	136,036	-
Transfer to/from Federation/Endowment	(709,822)	-	-	(709,822)
Endowment net assets, end of year	$ 70,518,018	$ 83,920,478	$ 27,046,261	$ 181,484,757

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 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 at June 30, 2018, is $2,212 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, 2018:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Money Market	$8,155,503	$ -	$ -	$8,155,503
Investment Measured at Net Asset Value (NAV)*				2,212
Total investments at fair value				$8,157,715

**Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the fair value of plan assets in the succeeding tables below.*

Plan assets are allocated as follows at June 30, 2018 :

Money Market Mutual Funds	99.97%
Commingled Hedge Funds	0.03%
Total Plan assets	100.00%

The changes in the funded status of the Federation's pension plan for the year ended June 30, 2018 was as follows:

Change in benefit obligation:		
Benefit obligation at beginning of year	$	**10,056,791**
Interest cost		**396,848**
Benefits paid		**(587,382)**
Actuarial loss		**504,521**
Benefit obligation at end of year		**10,370,778**
Change in Plan assets:		
Fair value of plan assets at beginning of year		**7,975,052**
Employer contribution		**344,493**
Actual return on plan assets		**425,552**
Benefits paid		**(587,382)**
Fair value of plan assets at end of year		**8,157,715**
Funded status (accrued pension liability)	$	**(2,213,063)**

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

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

Discount rate	4%
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, 2018 consist of the following and are offset against expenses in the consolidated statement of activities:

Interest cost	$	396,848
Actual gain on plan assets		431,177
Expected return on plan assets		(509,881)
Total	$	318,144

There are no items not yet recognized as a component of the net periodic pension cost for the year ended June 30, 2018.

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

Years Ending June 30,		
2019	$	651,000
2020	$	672,000
2021	$	674,000
2022	$	673,000
2023	$	668,000
2024 to 2028	$	3,375,000

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.

On May 17, 2018, in order to terminate the Plan, the Board of Directors (BOD) of the Federation approved to amend the Plan. Effective August 31, 2018, participants may elect to either receive a lump-sum payment determined based on the participant's future monthly benefits as of the date of distribution or a monthly benefit annuity. The BOD also authorized management to take necessary action to terminate the plan. On July 12, 2018 and September 7, 2018, management filed its application to terminate the Plan with the IRS and PBGC, respectively. As of December 31, 2018, the Plan has no assets. The Federation purchased annuities from American United Life insurance company for participants who chose the monthly benefit and made lump sum distributions to the rest of the participants. On October 11, 2018, the Federation has taken out a $3 million loan at 2.5% for eight years from a private foundation to fund the additional liability of the Plan.

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 annually. Total pension expense for the year ended June 30, 2018, was $176,709.

Deferred Compensation Plans: 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, 2018 was $516,754. Total deferred compensation expense recognized in 2018 amounted to $69,701.

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, amounting to $18,720, are included in other assets and accounts payable and accrued expenses, respectively, in the accompanying consolidated statement of financial position. Total deferred compensation expense recognized in 2018 amounted to $18,000.

13. Commitments and Contingencies

Commitments

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, 2018, the Federation had unfunded commitments of $16,033,831. Such commitments are generally called over periods of up to seven years and contain fixed expiration dates or other termination clauses.

Tenant Income

The minimum future lease rental income is as follows:

Years ending June 30,		
2019	$	1,034,596
2020		432,684
2021		294,965
2022		221,010
2023		227,640
Thereafter		214,394
Total	$	2,425,289

14. Fair Value Disclosure of Financial Instruments

The estimated fair values of the financial instruments of the Federation are as follows at June 30, 2018:

Description		Carrying Amount		Fair Value
Assets:				
Cash and cash equivalents	$	3,053,064	$	3,053,064
Promises to give	$	4,701,555	$	4,701,555
Investments	$	223,911,945	$	223,911,945
Liabilities:				
Long-term debt	$	11,782,340	$	11,782,340
Split-interest agreements	$	7,863,037	$	7,863,037
Interest rate swap receivable	$	262,495	$	262,495

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: 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.

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 fixed income fund global, which are subject to certain restrictions and generally, have no established trading market. Fair value is determined based on the fund's 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. These alternative investments are reported investments valued at NAV per share as determined by investment managers under the so called "practical expedient".

Included in the alternative investments is $18,171,915 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.

$30,440,436 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 $1,921,625 which are invested in areas that offer strong relative performance in rising inflation environments.

Private equity makes up $3,528,571 of alternative investments which seek to acquire a diversified portfolio of private investments, leveraged buyouts, mezzanine and venture capital funds.

$19,035,763 of alternative investments that are in international equities is primarily invested in global and domestic equities.

Included in the alternative investments is $11,181,089 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."

Long-term debt: The fair value of the long-term debt approximates the amount payable at the reporting date as the interest rate varies with current rates.

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

Interest rate swap receivable: The estimate of fair value of the interest rate swap receive at year end approximates its carrying amount, which represents the amount the Federation would receive 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, 2018:

Description	Level 1	Level 2	Level 3	Total
Investment - Endowment Fund:				
Publicly Traded:				
Domestic Equity Funds	$ 54,448,054	$ -	$ -	$ 54,448,054
Fixed Income Fund	25,123,754	-	-	25,123,754
International Equity Fund	17,982,445	-	-	17,982,445
Global Equity	34,991,423	-	-	34,991,423
Domestic Equity	624,021	-	-	624,021
Multi-Strategy	529,395	-	-	529,395
Other:				
Cash and cash equivalents and others	2,004,324	-	-	2,004,324
Israel Bonds	-	3,879,436	-	3,879,436
Investment – Federation:				
Others	-	47,880	-	47,880
Israel Bonds	-	1,814	-	1,814
	$ 135,703,416	$ 3,929,130	$ -	$139,632,546
Investment measured at Net Asset Value (NAV)*				84,279,399
Total assets, at fair value				$223,911,945
Split-interest agreements	$ -	$ -	$ (7,863,037)	$ (7,863,037)
Interest rate swap receivable	-	-	262,495	262,495
Total liabilities, at fair value	$ -	$ -	$ (7,600,542)	$ (7,600,542)

**Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy table to the investment balance in the consolidated statement of financial position.*

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) receivable	Total
Balance as of June 30, 2017	$ (8,228,251)	$ (123,216)	$ (8,351,467)
Net unrealized gain	-	385,711	385,711
Decrease in Remainder Interest Payable	12,724	-	12,724
Increase in Annuity Payable	352,490	-	352,490
Net transfers in and out of Level 3	-	-	-
Balance as of June 30, 2018	$ (7,863,037)	$ 262,495	$ (7,600,542)

Quantitative Information - Quantitative information as of June 30, 2018, 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, 2018**	**Principal Valuation Techniques**	**Unobservable Inputs**	**Weighted Average**
Split-interest agreements	**$ (7,863,037)**	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 and NAV 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 2018.

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, 2018. 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, 2018:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period (Days)
Alternative Investments				
Absolute Return	$ 18,171,915	$ -	monthly, quarterly, annually	45-120
Directional Hedge	30,440,436	-	monthly, quarterly, annually	45-120
Private Equity	3,528,571	3,292,110	No immediate liquidity*	n/a
Real Assets	1,921,625	828,078	No immediate liquidity*	n/a
International Equity	19,035,763	-	Monthly	30
Fund of Funds – Private Equity	11,181,089	11,913,643	No immediate liquidity*	n/a
	$ 84,279,399	$16,033,831		

*****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 $337,849 for interest for the year ended June 30, 2018.

The Federation and Subsidiary paid $324,000 for income taxes for the year ended June 30, 2018.

17. Subsequent Events

The Federation evaluated subsequent events through February 10, 2019 which is the date the consolidated financial statements were issued. No subsequent events were noted that required disclosure in the consolidated financial statements other than the termination of the defined benefit plan discussed in Note 12.