The Jewish Federation of Greater Washington, Inc. and Subsidiary

Consolidated Financial Statements
Year Ended June 30, 2019

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Consolidated Financial Statements

Year Ended June 30, 2019

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, 2019, 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, 2019, 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 2018 consolidated financial statements, and our report dated February 10, 2019, 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, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

February 21, 2020

Consolidated Financial Statements

The Jewish Federation of Greater Washington, Inc. and Subsidiary

Consolidated Statement of Financial Position

June 30,	**2019**	2018
Assets		
Cash and cash equivalents	**$ 5,735,160**	$ 3,053,064
Receivables, net	**4,136,734**	4,904,406
Investments	**224,730,988**	223,911,945
Cash surrender value of life insurance	**7,302,937**	6,973,967
Other assets	**792,799**	552,410
Land, building and equipment, net	**18,028,126**	18,733,838
Donated assets - land and property	**553,959**	567,795
Interest rate swap receivable	**-**	262,495
Total assets	**$ 261,280,703**	$ 258,959,920
Liabilities and net assets		
Liabilities		
Allocations to beneficiary organizations	**$ 11,112,790**	$ 10,337,288
Accounts payable and accrued expenses	**3,929,957**	5,564,192
Due to agencies and supporting organizations	**34,049,860**	33,498,159
Long-term debts, net	**14,263,838**	11,782,340
Split-interest agreements	**6,567,140**	7,863,037
Interest rate swap liability	**320,772**	-
Total liabilities	**70,244,357**	69,045,016
Commitments and contingencies		
Net assets		
Without donor restrictions	**75,080,211**	76,882,324
With donor restrictions	**115,956,135**	113,032,580
Total net assets	**191,036,346**	189,914,904
Total liabilities and net assets	**$ 261,280,703**	$ 258,959,920

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, 2019 (with summarized comparative information for the year ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and revenue				
Contributions - Endowment Fund	$ 7,323,559	$ 1,377,869	$ 8,701,428	$ 13,740,824
Contributions - Federation	15,511,848	2,933,403	18,445,251	15,975,992
Other	328,850	-	328,850	802,418
Investment return, net	4,569,405	5,995,069	10,564,474	15,945,574
Net assets released from restrictions	7,578,311	(7,578,311)	-	-
Total support and revenue	35,311,973	2,728,030	38,040,003	46,464,808
Commercial building operations				
Revenues	1,378,171	-	1,378,171	1,389,258
Expenses	(2,000,265)	-	(2,000,265)	(2,013,254)
Net unrealized (loss) gain on interest rate swap	(583,267)	-	(583,267)	385,711
Net loss on commercial building operations	(1,205,361)	-	(1,205,361)	(238,285)
Total support, revenue and commercial building operations	34,106,612	2,728,030	36,834,642	46,226,523
Expenses				
Program services				
Allocations to beneficiary organizations	23,651,434	-	23,651,434	20,184,646
Community planning and outreach program	4,358,922	-	4,358,922	3,895,065
Total program services	28,010,356	-	28,010,356	24,079,711
Supporting services				
Fundraising	3,770,193	-	3,770,193	3,642,609
Management and central services	3,433,909	-	3,433,909	3,046,038
Total supporting services	7,204,102	-	7,204,102	6,688,647
Total expenses	35,214,458	-	35,214,458	30,768,358
Change in net assets before other revenue (expenses)	(1,107,846)	2,728,030	1,620,184	15,458,165
Change in value of split-interest agreements and annuity payments	657,874	-	657,874	(321,887)
Provision for uncollectible promises to give	-	-	-	(265,512)
Other expenses	(139,805)	-	(139,805)	(340,421)
Change in contributions received due to change in donors' intentions and circumstances	(195,525)	195,525	-	-
Defined benefit plan net periodic pension costs	(154,262)	-	(154,262)	(318,144)
Pension related changes other than net periodic pension costs	(862,549)	-	(862,549)	(267,127)
Change in net assets	(1,802,113)	2,923,555	1,121,442	13,945,074
Net assets, beginning of year	76,882,324	113,032,580	189,914,904	175,969,830
Net assets, end of year	$ 75,080,211	$ 115,956,135	$ 191,036,346	$ 189,914,904

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, 2019 (with summarized comparative information for the year ended June 30, 2018)

	Program Services			Supporting Services					
	Allocations to Beneficiary Organizations	Community Planning and Outreach Program	Total Program Services	Fundraising	Management and Central Services	Total Supporting Services	Commercial Building	2019 Total	2018 Total
Grant expenses	$ 23,651,434	$ -	$ 23,651,434	$ -	$ -	$ -	$ -	$ 23,651,434	$ 20,184,646
Salaries	-	1,555,588	1,555,588	2,362,402	1,377,689	3,740,091	-	5,295,679	5,514,063
Purchased services	-	1,081,826	1,081,826	264,364	857,959	1,122,323	192,097	2,396,246	1,373,715
Employee benefits	-	242,246	242,246	386,341	383,939	770,280	-	1,012,526	801,101
Payroll taxes	-	109,997	109,997	171,374	102,322	273,696	-	383,693	409,467
Travel and conference	-	221,161	221,161	34,053	71,774	105,827	-	326,988	379,243
Banquets and functions	-	230,903	230,903	36,869	43,841	80,710	183	311,796	228,951
Facility and equipment rentals	-	114,304	114,304	85,065	109,099	194,164	585,261	893,729	919,973
Printing and stationery	-	190,984	190,984	73,049	24,831	97,880	844	289,708	292,668
Depreciation and amortization expense	-	24,827	24,827	265	176,493	176,758	578,305	779,890	801,469
Telephone and internet	-	30,907	30,907	49,370	48,956	98,326	5,741	134,974	116,960
Postage and mailing services	-	2,730	2,730	124,730	870	125,600	-	128,330	84,051
Publicity, promotion, and marketing	-	83,288	83,288	18,232	9,365	27,597	-	110,885	198,601
Professional fees	-	26,250	26,250	-	75,804	75,804	39,250	141,304	118,611
Office supplies and maintenance	-	18,433	18,433	9,827	33,017	42,844	7,351	68,628	58,657
Missions	-	46,010	46,010	4,818	-	4,818	-	50,828	232,932
Insurance premium expenses	-	408	408	-	36,565	36,565	19,428	56,401	68,246
Other	-	379,060	379,060	149,434	81,385	230,819	571,805	1,181,684	998,258
Total expenses 2019	$ 23,651,434	$ 4,358,922	$ 28,010,356	$ 3,770,193	$ 3,433,909	$ 7,204,102	$ 2,000,265	$ 37,214,723	
Total expenses 2018	$ 20,184,646	$ 3,895,065	$ 24,079,711	$ 3,642,609	$ 3,046,038	$ 6,688,647	$ 2,013,254		$ 32,781,612

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,	**2019**	2018
Cash flows from operating activities		
Change in net assets	**$ 1,121,442**	$ 13,945,074
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	**779,890**	801,469
Provision for uncollectible promises to give	**-**	265,512
Present value change applied to receivables	**8,791**	55,234
Split-interest agreements liability	**(1,295,897)**	(365,214)
Unrealized and realized gains	**(8,125,811)**	(2,706,512)
Loss (gain) on interest rate swaps	**583,267**	(385,711)
Endowment contributions	**(35,713)**	(596,935)
Amortization of debt issuance costs	**5,570**	5,570
Decrease (increase) in assets		
Receivables	**758,881**	2,728,924
Other assets	**(240,389)**	37,961
Increase (decrease) in liabilities		
Allocations to beneficiary organizations	**775,502**	429,911
Accounts payable and accrued expenses	**(1,634,235)**	(264,299)
Due to agencies and supporting organizations	**551,701**	1,188,157
Net cash (used in) provided by operating activities	**(6,747,001)**	15,139,141
Cash flows from investing activities		
Purchases of investments	**(34,552,932)**	(75,297,257)
Proceeds from sale of investments	**41,859,700**	60,545,533
Change in cash surrender value of life insurance	**(328,970)**	(252,434)
Proceeds from sale of donated assets	**13,836**	-
Purchases of land, building and equipment	**(74,178)**	(355,613)
Net cash provided by (used in) investing activities	**6,917,456**	(15,359,771)
Cash flows from financing activities		
Endowment contributions	**35,713**	596,935
Proceeds from term loan	**3,000,000**	-
Proceeds from notes receivable	**-**	1,600,000
Payment of long-term debt	**(524,072)**	(315,002)
Proceeds from lines-of-credit	**-**	2,200,000
Payments on lines-of-credit	**-**	(2,280,000)
Net cash provided by financing activities	**2,511,641**	1,801,933
Increase in cash and cash equivalents	**2,682,096**	1,581,303
Cash and cash equivalents, beginning of year	**3,053,064**	1,471,761
Cash and cash equivalents, end of year	**$ 5,735,160**	$ 3,053,064

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, manage, 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*”.

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 $819,143 (See Note 3).

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 $7,302,937 at June 30, 2019. 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.

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.

Net Assets

The Federation classifies its net assets into two categories: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions

Net assets available for use in general operations and not subject to donor restrictions. These net assets generally result from providing services and receiving contributions without donor restrictions, less expenses incurred in providing services, raising contributions, and performing administrative functions.

Net assets with donor restrictions

Net assets with donor restrictions are subject to stipulations imposed by donors. These net assets generally result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Federation pursuant to those stipulations. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Federation to use the income earned on related investments for general or specific purposes.

When a donor restriction expires as a result of a stipulated time restriction ending or purpose restriction being accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as released from restrictions.

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 4.2%.

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 revenue with or without donor restrictions. 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 revenue with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Rent revenue is recorded on the straight-line basis.

Functional Expense and Allocations

The Federation is organized into departmental cost centers. The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses.

Expenses are recognized during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period. The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Federation. These expenses were allocated based on total direct salaries of the cost centers. Such costs include salaries for executives involved in the direct conduct or supervision of program activities, facility costs including maintenance and depreciation, utilities such as telephone and internet, as well as printing and computer expenses.

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 $183,750 in federal and state income taxes during the fiscal year ended June 30, 2019, in connection with unrelated debt-financed income on certain partnerships owned by the Federation. No amounts were payable as of June 30, 2019.

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, 2019, the Federation did no pay interest and penalties.

The tax years ended June 30, 2017, 2018, and 2019, 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.

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 than NAV.

The Federation's alternative investments are held in limited partnerships and investments in comingled funds which are valued based on NAV. 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, 2018, from which the summarized information was derived.

Accounting Pronouncement Adopted

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, provides information about liquidity and availability of resources and improves the type of information provided about expenses and investment return. The Federation has adopted the ASU retrospectively and adjusted the presentation of these consolidated financial statements accordingly. Management has chosen the practical expedient and selected to present single year information in the Liquidity and Availability of Resources in Note 2. There was no effect on the change in net assets reported at June 30, 2018.

Accounting Pronouncement to be Adopted

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 the Federation's fiscal year 2020. Management continues to evaluate the potential impact of this update on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (*Topic 842), which is the leasing standard for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with the existing U.S. GAAP. This ASU is effective for the Federation's fiscal year 2022, with early adoption permitted. The provisions of this ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* (Topic 230), which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are intended to reduce diversity in practice. This ASU contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) versus when an entity should classify the aggregate amount into one class of cash flows on the basis of predominance. The ASU is effective for the Federation's fiscal year 2020, with early adoption permitted. Management continues to evaluate the potential impact of this update on the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash* (Topic 230), to address the classification and presentation of changes in restricted cash on the statement of cash flows. The ASU requires that a statement of cash flows explain the change in the total cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. Thus, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU is effective for the Federation's fiscal year 2020. Early adoption is permitted and should be applied on a retrospective transition method to each period presented. 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*. The ASU clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning in fiscal year 2020. Management continues to evaluate the potential impact of this update on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. This ASU is effective for the Federation's financial statements for fiscal year 2021. Management continues to evaluate the potential impact of this update on the consolidated financial statements.

2. Liquidity and Availability of Resources

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the reporting date consist of the following:

June 30,	**2019**
Cash and cash equivalents	**$ 5,735,160**
Receivables, net	**4,136,734**
Investments	**224,730,988**
	234,602,882
Less:	
Funds subject to expenditure for a specified purpose (Note 10)	**(62,889,562)**
Funds subject to spending policy and appropriation (Note 10)	**(24,267,799)**
Funds subject to requirement to maintain corpus in perpetuity (Note 10)	**(26,933,904)**
Investments of agencies and supporting organizations (Note 4)	**(34,049,860)**
Investments related to CRAT and CRUTs	**(6,665,900)**
Illiquid alternative investments (Note 15)	**(20,155,024)**
Add:	
Internal projects and grants (Note 10)	**1,906,405**
Financial assets available to meet cash needs for general expenditures within one year	**$ 61,547,238**

The Federation manages liquidity through maintaining an operating budget. The operating budget (which includes the amount that the Federation intends to allocate to beneficiary agencies) is based on the results of the prior year annual campaign. This strategy allows the Federation to manage spending and limit allocations to beneficiary agencies and internal programs to the extent of the monies collected from the annual campaign. The budget is approved by the Board of Directors annually.

As part of the Federation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The structure includes conducting monthly financial forecasts that analyze contributions and expense projections, controlling operating and capital expenditures, and closely managing daily receipts and cash disbursements. The goal is to optimize the sources and uses of available funds for programs and operations based on the Federation's projected cash flow. The Federation also maintains a total of $6.5 million in lines-of-credit with a financial institution which is intended to cover unbudgeted spending or as a bridge on occasions where there is a timing difference between the budgeted and actual receipt of contributions.

3. Receivables

Receivables consist of the following at June 30, 2019:

Promises to give	$ 4,672,195
Charitable remainder trusts	57,319
Other	283,682
	5,013,196
Less provision for doubtful promises to give	819,143
Less provision for doubtful charitable remainder trusts	57,319
	876,462
Total	$ 4,136,734

Promises to Give
All promises to give for the year ended June 30, 2019 are collectible within one year.

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.

4. 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, 2019, the total Federation reserve funds invested in the Investments – Endowment Fund, were approximately $7.7 million, which is included in the $224,730,988 below.

Investments consist of the following at June 30, 2019:

Investment – Endowment Fund:	
Alternative Investments:	
Absolute Return	$ 12,996,338
Directional Hedge	36,358,860
Private Equity	3,636,163
Real Assets	1,622,235
Fund of Funds – Private Equity	14,896,626
Publicly Traded:	
Domestic Equity Funds	49,050,629
Fixed Income Fund	24,860,648
International Equity Fund	39,891,681
Global Equity	35,091,527
Domestic Equity	824,017
Multi-Strategy	501,267
Other:	
Cash and cash equivalents and others	1,201,755
Israel Bonds	3,760,545
Total Endowment Fund investments	224,692,291
Investments – Federation:	
Others (including Israel bonds)	38,697
Total Federation investments	38,697
Total investments	224,730,988
Less: amounts due to agencies and supporting organizations	34,049,860
Total investments, net of agencies	$ 190,681,128

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 is presented net of investment advisory fees in the consolidated statement of activities.

5. Land, Building and Equipment

Land, building and equipment, and accumulated depreciation and amortization at June 30, 2019, and depreciation and amortization expense for the year ended June 30, 2019, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation and Amortization	Net	Depreciation and Amortization Expense
Building	39 years	$17,741,565	$3,225,638	$14,515,927	$578,305
Land	n/a	2,534,100	-	2,534,100	-
Computers and software	3-7 years	1,373,395	1,044,160	329,235	117,851
Furniture and equipment	3-10 years	1,413,762	764,898	648,864	83,734
Total land, building and equipment		$23,062,822	$5,034,696	$18,028,126	$779,890

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, 2019, are as follows:

	Without Donor Restrictions	Community Security	Task Force Grants	Endowment	Total
International Allocations					
Jewish Federations of North America	$ 3,440,800	$ -	$ -	$ 710,221	$ 4,151,021
Other International Beneficiaries	-	-	-	1,139,253	1,139,253
Total international allocations	**$ 3,440,800**	**$ -**	**$ -**	**$ 1,849,474**	**$ 5,290,274**
National Allocations					
Other National Agencies	$ -	$ -	$ -	$ 929,015	$ 929,015
Other Jewish National Agencies	249,200	-	-	596,451	845,651
Jewish Federations of North America Collective Responsibility	756,000	-	-	-	756,000
Birthright Israel Fair Share	207,000	-	-	-	207,000
Other Jewish Federations	-	-	-	29,710	29,710
Total national allocations	**$ 1,212,200**	**$ -**	**$ -**	**$ 1,555,176**	**$ 2,767,376**
Local Allocations					
Jewish Community Center/NOVA	$ 326,607	$ -	$ 40,000	$ 2,595,800	$ 2,962,407
Jewish Social Service Agency	949,830	-	-	365,028	1,314,858
Bender Jewish Community Center of Greater Washington	774,063	-	70,000	171,906	1,015,969
Edlavitch DCJCC	399,432	-	25,000	387,053	811,485
Jewish Community Relations Council	603,013	-	-	169,111	772,124
Charles E. Smith Day School	426,355	22,500	20,000	160,500	629,355
Jewish Council for the Aging	299,884	-	-	85,475	385,359
Melvin J. Berman Hebrew Academy	290,567	21,500	-	41,287	353,354

	Without Donor Restrictions	Community Security	Task Force Grants	Endowment	Total
Campus Hillels	232,027	-	-	109,067	341,094
Jewish Foundation for Group Homes	189,104	-	-	134,282	323,386
Anti-Defamation League	-	-	12,500	215,407	227,907
Gather DC	-	-	190,600	36,800	227,400
Milton Gottesman Jewish Primary Day School	177,569	21,500	-	25,000	224,069
Torah School of Greater Washington	178,043	21,500	-	21,950	221,493
Holocaust Survivors Services	200,222	-	-	-	200,222
Capital Camps and Retreat Centers	120,078	-	-	77,527	197,605
Yeshiva of Greater Washington	128,666	8,000	-	51,000	187,666
Gesher Jewish Day School	51,751	21,500	30,000	51,555	154,806
One Table	-	-	135,000	1,000	136,000
Temple Rodef Shalom	-	-	125,000	1,000	126,000
Coming of Age	27,202	-	-	94,956	122,158
Jewish Millennial Engagement Project	-	-	70,000	41,000	111,000
Charles E. Smith Life Communities	-	-	-	104,189	104,189
Community Security Grants	-	101,123	-	-	101,123
Moishe House	25,000	-	59,900	13,600	98,500
One Happy Camper	97,186	-	-	-	97,186
Youth Groups	83,236	-	-	-	83,236
Jewish Millennial Empowerment	81,621	-	-	-	81,621
Avodah	25,000	-	15,000	30,140	70,140
Jewish Coalition Against Domestic Abuse	49,719	-	-	20,280	69,999
Temple Micah	-	-	67,300	-	67,300
Initiative in Congregational Education	55,957	-	-	-	55,957
Mesamorah DC	-	-	12,000	33,000	45,000
Honeymoon Israel	-	-	35,000	-	35,000
Hadar	-	-	30,000	360	30,360
Jewish Historical Society of Greater Washington	30,000	-	-	-	30,000
Sulam	25,000	-	-	-	25,000
Sunflower Bakery	25,000	-	-	-	25,000

	Without Donor Restrictions	Community Security	Task Force Grants	Endowment	Total
Israeli American Council	-	-	22,000	-	22,000
Congregation Share Torah	-	-	18,000	-	18,000
Temple B'nai Shalom	-	-	15,000	-	15,000
Olam Tikvah Congregation	-	-	10,000	-	10,000
Hill Havurah	-	-	2,500	500	3,000
Other allocations to Jewish Organizations	41,328	-	-	1,567,438	1,608,766
Other allocations to Local Agencies	-	-	-	1,851,690	1,851,690
Total local allocations	**$ 5,913,460**	**$ 217,623**	**$ 1,004,800**	**$ 8,457,901**	**$ 15,593,784**
Total allocations 2019	**$ 10,566,460**	**$ 217,623**	**$ 1,004,800**	**$ 11,862,551**	**$ 23,651,434**

The amount allocated to Jewish Federations of North America from net assets without donor restrictions includes allocations to Jewish Agency for Israel and American Jewish Joint Distribution Committee. The allocations to other organizations are from recommendations of the donors of individual donor advised funds.

7. Lines-of-Credit

The Federation obtained two unsecured lines-of-credit from PNC Bank totaling to $6,500,000, which mature March 31, 2020. The lines-of-credit bear interest at the LIBOR rate plus 1.25%. There was no outstanding balance under the lines-of-credit at June 30, 2019. The Federation did not draw from their lines-of-credit in the fiscal year ended June 30, 2019 hence, no interest expense was incurred on the lines-of-credit in 2019.

8. Long-term Debts

Long-term debts consist of the following at June 30, 2019:

Colorado Educational and Cultural Facilities Authority Variable Rate Demand Revenue Bonds	**$ 8,600,000**
Taxable Variable Rate Demand Bond	**2,995,000**
Term Loan – The Morningstar Foundation	**2,800,928**
	14,395,928
Less: unamortized bond issue costs, net	**132,090**
Long-term debts, net	**14,263,838**
Less: current portion	**683,085**
Long-term debts, net of current portion	**$ 13,580,753**

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 2019 amounted to $339,388.

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, 2019.

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 $2.6 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 in 2019 amounted to $9,144.

On October 11, 2018, the Federation entered into an eight-year term loan with the Morningstar Foundation for $3 million. The loan is subject to interest of 2.5% annually. The purpose of this term loan is to pay off remaining liabilities arising from the Federation's defined benefit plan which was terminated effective August 31, 2018. The term loan is subject to various financial reporting requirements. The Federation is in compliance with all the reporting requirements at June 30, 2019. Interest expense incurred in 2019 amounted to $42,509.

Maturities of debt are as follows:	
2020	$ 683,085
2021	701,888
2022	720,913
2023	745,167
2024	764,654
Thereafter	10,780,221
	$ 14,395,928

9. Net Assets Without Donor Restrictions

Internally designated quasi-endowment represents funds earmarked to be spent in accordance to the Federation's spending policy. These funds are included in the endowment fund and are intended to be invested to provide the Federation with long-term, stable and consistent funding.

The composition of net assets without donor restrictions by type as of June 30, 2019 are as follows:

Internally Designated Quasi-Endowment	$	22,333,258
Undesignated		52,746,953
Total net assets without donor restrictions	$	75,080,211

10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2019:

Subject to expenditure for a specified purpose:		
Donor Designated Funds	$	50,892,051
Field of Interest Funds		10,091,106
Internal Projects and Grants		1,906,405
Total subject to expenditure for a specified purpose		62,889,562
Subject to the passage of time:		
Assets held under split-interest agreements		1,864,870
Total subject to the passage of time		1,864,870
Subject to Federation's endowment spending policy and appropriation:		
Perpetual Annual Campaign Endowment Funds ("PACE Funds")		10,697,079
Lion of Judah Endowment Funds ("LOJE Funds")		7,084,112
General Support		6,486,608
Total subject to Federation's endowment spending policy and appropriation		24,267,799
Subject to requirement to maintain corpus in perpetuity:		
Original donor-restricted gift amount and amounts required to be retained by donor		26,933,904
Total subject to requirement to maintain corpus in perpetuity		26,933,904
Total net assets with donor restrictions	$	115,956,135

Donor designated funds are established by a donor to make distributions to one or a limited number of specified projects or grantee-organizations. Distributions are made in accordance with the donor's designation in the gift instrument.

Field of interest funds are established for a purpose specifically designated by a donor at the time the fund is established, or gifts are accepted. The chosen purpose must serve the general purposes of the Federation.

Internal projects and grants are funds already committed to various grantee-organizations and internal programs which are undistributed as of reporting date.

PACE funds are named endowment funds. The minimum gift for establishing a named PACE fund is $10,000. The Federation's spending policy is applied to the balance of a PACE fund at the end of the fiscal year to determine the amount to be distributed to the annual campaign contributions.

LOJE funds are endowment funds designed for women donors and require a minimum amount of $100,000. The Federation's spending policy is applied to the balance of a LOJE fund at the end of the fiscal year to determine the amount to be distributed to the annual campaign contributions.

Net assets are released from donor restrictions when expenditures are made in accordance with the purposes specified by the donor. The following net assets were released from restriction during the year ended June 30, 2019:

Purpose restrictions accomplished	$ 3,092,839
Release of appropriated endowment amounts with purpose restrictions	4,485,472
Total net assets released from restriction	$ 7,578,311

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 net assets with donor restrictions (a) the original value of gifts donated to the fund, and (b) the original value of subsequent gifts to the fund. The associated gains and income on donor-restricted endowment funds are classified as net assets with donor restrictions 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 original value of the gift donated to the fund ("underwater endowment"). These deficiencies result from unfavorable market fluctuations that erode the accumulated gains of the donor restricted endowments. It is the policy of the Federation not to appropriate funds from donor restricted underwater endowments. As of June 30, 2019, there were no donor restricted endowments with a fair value less than their historical corpus value.

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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 70,518,018	$110,966,739	$181,484,757
Investment return, net	4,562,761	5,995,069	10,557,830
Contributions	7,345,342	1,377,869	8,723,211
Amounts appropriated for expenditures	(12,857,902)	(4,485,472)	(17,343,374)
Change in contributions received due to changes in donors' intention and circumstances	(195,525)	195,525	-
Transfer to/from Federation/Endowment	(316,270)	-	(316,270)
Endowment net assets, end of year	$ 69,056,424	$114,049,730	$183,106,154

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 without donor restrictions and with donor restrictions 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 Plan): The Federation sponsored a defined benefit pension plan, which covered all employees who worked at least 1,000 hours and attained age 21. The Plan called 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 reflected 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.

On May 17, 2018, the Board of Directors approved an amendment to terminate the Plan. Effective August 31, 2018, participants could elect to receive either 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 Board of Directors 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 Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation (PBGC), respectively. The IRS approval was received on November 20, 2018 and the PBGC approval was received on September 21, 2018. The Plan did not have investments as of June 30, 2019.

The changes in the funded status of the Federation's pension plan for the year ended June 30, 2019 was as follows:

Change in benefit obligation:		
Benefit obligation at beginning of year	$	10,370,778
Interest cost		414,831
Benefits paid		(11,602,769)
Actuarial loss		817,160
Benefit obligation at end of year		-
Change in Plan assets:		
Fair value of plan assets at beginning of year		8,157,715
Employer contribution		3,175,372
Actual return on plan assets		269,682
Benefits paid		(11,602,769)
Fair value of plan assets at end of year		-
Funded status (accrued pension liability)	$	-

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 year ended June 30, 2019 consist of the following and are offset against expenses in the consolidated statement of activities:

Interest cost	$	414,831
Actual gain on plan assets		269,682
Expected return on plan assets		(530,251)
Total	$	154,262

There are no items not yet recognized as a component of the net periodic pension cost for the year ended June 30, 2019.

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, 2019 was $201,777.

Deferred Compensation Plans: The Federation has a frozen deferred compensation plan to provide supplemental retirement benefits to nine former employees. 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, 2019 was $492,329. Total deferred compensation expense recognized in 2019 amounted to $57,990.

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, 2019, the Federation had unfunded commitments of $12,162,239. 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,		
2020	$	632,782
2021		568,711
2022		547,196
2023		541,446
2024		529,764
Thereafter		80,251
Total	$	2,900,150

14. Fair Value Disclosure of Financial Instruments

The estimated fair values of the financial instruments of the Federation are as follows at June 30, 2019:

Description	Carrying Amount	Fair Value
Assets:		
Cash and cash equivalents	$ 5,735,160	$ 5,735,160
Promises to give	$ 3,853,052	$ 3,853,052
Investments	$ 224,730,988	$ 224,730,988
Liabilities:		
Long-term debt	$ 14,263,838	$ 14,263,838
Split-interest agreements	$ 6,567,140	$ 6,567,140
Interest rate swap liability	$ 320,772	$ 320,772

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 $12,996,338 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.

$36,358,860 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 $1,622,235 which are invested in areas that offer strong relative performance in rising inflation environments.

Private equity makes up $3,636,163 of alternative investments which seek to acquire a diversified portfolio of private investments, leveraged buyouts, mezzanine and venture capital funds.

Included in the alternative investments is $14,896,626 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 liability: 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, 2019:

Description	Level 1	Level 2	Level 3	Total
Investment - Endowment Fund:				
Publicly Traded:				
Domestic Equity Funds	$ 49,050,629	$ -	$ -	$ -
Fixed Income Fund	24,860,648	-	-	-
International Equity Fund	39,891,681	-	-	-
Global Equity	35,091,527	-	-	-
Domestic Equity	824,017	-	-	-
Multi-Strategy	501,267	-	-	-
Other:				
Cash and cash equivalents and others	1,201,755	-	-	-
Israel Bonds	-	3,760,545	-	-
Investment – Federation:				
Others (including Israel Bonds)	-	38,697	-	-
	$ 151,421,524	$ 3,799,242	$ -	$
Investment measured at Net Asset Value (NAV)*				69,510,222
Total assets, at fair value				$ 224,730,988
Split-interest agreements	$ -	$ -	$ (6,567,140)	$ (6,567,140)
Interest rate swap liability	-	-	(320,772)	(320,772)
Total liabilities, at fair value	$ -	$ -	$ (6,887,912)	$ (6,887,912)

**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 receivable (liability)	Total
Balance as of June 30, 2018	$ (7,863,037)	$ 262,495	$ (7,600,542)
Net unrealized loss	-	(583,267)	(583,267)
Decrease in Remainder Interest Payable	74,344	-	74,344
Decrease in Annuity Payable	1,221,553	-	1,221,553
Net transfers in and out of Level 3	-	-	-
Balance as of June 30, 2019	$ (6,567,140)	$ (320,772)	$ (6,887,912)

Quantitative Information - Quantitative information as of June 30, 2019, 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, 2019	Principal Valuation Techniques	Unobservable Inputs	Weighted Average
Split-interest agreements	**$ (6,567,140)**	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 2019.

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, 2019. 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, 2019:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period (Days)
Alternative Investments				
Absolute Return	$ 12,996,338	-	monthly, quarterly, annually	45-120
Directional Hedge	36,358,860	-	monthly, quarterly, annually	45-120
Private Equity	3,636,163	2,348,539	No immediate liquidity*	n/a
Real Assets	1,622,235	828,078	No immediate liquidity*	n/a
Fund of Funds – Private Equity	14,896,626	8,985,622	No immediate liquidity*	n/a
	$ 69,510,222	$12,162,239		

**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 $391,042 for interest for the year ended June 30, 2019.

The Federation and Subsidiary paid $183,750 for income taxes for the year ended June 30, 2019.

17. Subsequent Events

The Federation evaluated subsequent events through February 21, 2020, which is the date the consolidated financial statements were issued. No subsequent events were noted that required disclosure in the consolidated financial statements.