

**EISNERAMPER**

**JEWISH FEDERATION OF  
GREATER PHILADELPHIA  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AUGUST 31, 2018 AND 2017**  
**(with consolidating supplementary information)**



# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Jewish Federation of Greater Philadelphia and Subsidiary

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Jewish Federation of Greater Philadelphia and Subsidiary (collectively referred to as the "Organization"), which comprise the consolidated statements of financial position as of August 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, and cash flows for each of the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 consolidated financial position of Jewish Federation of Greater Philadelphia and Subsidiary as of August 31, 2018 and 2017, and the consolidated changes in their net assets and their cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.



***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating supplementary information on pages 35 to 38 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*EisnerAmper LLP*

EISNERAMPER LLP  
Philadelphia, Pennsylvania  
February 18, 2019

EISNERAMPER  
LLP

# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

## Consolidated Statements of Financial Position (in thousands)

	August 31	
	2018	2017
<b>ASSETS</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 12,440	\$ 9,100
Assets held under revocable trust agreements	9,182	8,227
Pledges receivable, net	5,542	4,417
Customer accounts receivable, net	1,358	1,257
Prepaid expenses and other current assets	541	422
<b>Total current assets</b>	<b>29,063</b>	<b>23,423</b>
Pledges receivable, noncurrent, net	1,227	1,062
Land, buildings, and equipment, net	33,003	33,816
Assets held under charitable remainder trust agreements	2,001	2,488
Long-term investments	229,839	220,589
Nonparticipating assets	22,530	20,763
Other assets	4,258	3,892
<b>Total assets</b>	<b>\$ 321,921</b>	<b>\$ 306,033</b>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Current liabilities</i>		
Grants payable	\$ 9,483	\$ 8,890
Donor-restricted liabilities	295	506
Accounts payable and accrued expenses	3,398	3,787
Line-of-credit borrowings	6,799	7,069
Current portion of long-term debt	209	209
Liabilities under revocable trust agreements	9,182	8,227
Current portion of liabilities under charitable remainder trust agreements	148	189
Current portion of liabilities under charitable gift annuities	471	341
Deferred revenue	208	407
<b>Total current liabilities</b>	<b>30,193</b>	<b>29,625</b>
Long-term debt, net of current portion	38,092	38,302
Long-term portion of liabilities under charitable remainder trust agreements	887	1,035
Long-term portion of liabilities under charitable gift annuities	3,581	2,484
Accrued pension benefit costs	18,055	20,768
Other noncurrent liabilities	192	705
<b>Total liabilities</b>	<b>91,000</b>	<b>92,919</b>
<i>Net assets</i>		
Unrestricted	119,336	106,763
Temporarily restricted	66,138	64,375
Permanently restricted	45,447	41,976
<b>Total net assets</b>	<b>230,921</b>	<b>213,114</b>
<b>Total liabilities and net assets</b>	<b>\$ 321,921</b>	<b>\$ 306,033</b>

See notes to consolidated financial statements

**JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY**
**Consolidated Statement of Activities and Changes in Net Assets**  
**Year Ended August 31, 2018**  
*(in thousands)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public support and revenue</b>				
<i>Public support</i>				
Campaign pledges	\$ 16,129	\$ 6,831	\$ -	\$ 22,960
Grants to campaigns from philanthropic and endowment funds	(2,397)	-	-	(2,397)
Amounts raised on behalf of others	-	(8)	-	(8)
Other contributions and bequests	13,099	93	3,171	16,363
Contribution income - nonparticipating assets	-	-	300	300
Total public support	<u>26,831</u>	<u>6,916</u>	<u>3,471</u>	<u>37,218</u>
<i>Revenue</i>				
Advertising revenue - <i>Jewish Exponent</i>	2,407	-	-	2,407
Subscription revenue - <i>Jewish Exponent</i>	108	-	-	108
Investment income	2,625	886	-	3,511
Realized and unrealized gains on investments	7,176	5,560	-	12,736
Change in value				
Nonparticipating assets	4,000	(7)	-	3,993
Charitable remainder trust agreements	-	168	-	168
Charitable gift annuities	(114)	-	-	(114)
Other income	3,711	-	-	3,711
In-kind contributions	911	-	-	911
Total revenue	<u>20,824</u>	<u>6,607</u>	<u>-</u>	<u>27,431</u>
Net assets released from restrictions	<u>11,760</u>	<u>(11,760)</u>	<u>-</u>	<u>-</u>
<b>Total public support and revenue</b>	<u>59,415</u>	<u>1,763</u>	<u>3,471</u>	<u>64,649</u>
<b>Program allocations and expenses</b>				
<i>Program allocations and expenses</i>				
Grants and allocations				
Jewish Continuity	4,191	-	-	4,191
Safety Net	4,480	-	-	4,480
Community Services	161	-	-	161
Designated campaign support				
Jewish Continuity	1,141	-	-	1,141
Safety Net	1,127	-	-	1,127
Philanthropic fund support	7,353	-	-	7,353
Direct endowment fund support	3,434	-	-	3,434
Program operations	14,994	-	-	14,994
Other program support	390	-	-	390
Total program allocations and program operations expenses	<u>37,271</u>	<u>-</u>	<u>-</u>	<u>37,271</u>
<i>Expenses</i>				
<i>Jewish Federation</i>				
Financial resource development	7,186	-	-	7,186
Supporting services, management, and general	2,849	-	-	2,849
Provision for uncollectibles	393	-	-	393
Unrelated business income tax	132	-	-	132
Total Jewish Federation expenses	<u>10,560</u>	<u>-</u>	<u>-</u>	<u>10,560</u>
Total program allocations and Jewish Federation expenses	<u>47,831</u>	<u>-</u>	<u>-</u>	<u>47,831</u>
<i>Jewish Exponent</i>				
Production	806	-	-	806
Editorial	397	-	-	397
Administration	400	-	-	400
Sales and office	623	-	-	623
Total Jewish Exponent expenses	<u>2,226</u>	<u>-</u>	<u>-</u>	<u>2,226</u>
Total program allocations and expenses	<u>50,057</u>	<u>-</u>	<u>-</u>	<u>50,057</u>
<b>Change in net assets from operations</b>	<u>9,358</u>	<u>1,763</u>	<u>3,471</u>	<u>14,592</u>
<i>Other changes in net assets</i>				
Pension-related changes other than net periodic pension costs	2,713	-	-	2,713
Change in fair value of interest rate swap agreements	502	-	-	502
Total other changes in net assets	<u>3,215</u>	<u>-</u>	<u>-</u>	<u>3,215</u>
<b>Change in net assets</b>	<u>12,573</u>	<u>1,763</u>	<u>3,471</u>	<u>17,807</u>
Net assets at beginning of year	106,763	64,375	41,976	213,114
<b>Net assets at end of year</b>	<u>\$ 119,336</u>	<u>\$ 66,138</u>	<u>\$ 45,447</u>	<u>\$ 230,921</u>

See notes to consolidated financial statements

**JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY**

**Consolidated Statement of Activities and Changes in Net Assets**  
**Year Ended August 31, 2017**  
*(In thousands)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public support and revenue</b>				
<i>Public support</i>				
Campaign pledges	\$ 16,759	\$ 5,829	\$ -	\$ 22,588
Grants to campaigns from philanthropic and endowment funds	(2,712)	-	-	(2,712)
Amounts raised on behalf of others	-	(772)	-	(772)
Other contributions and bequests	7,342	645	1,376	9,363
Contribution income - nonparticipating assets	96	-	-	96
Total public support	<u>21,485</u>	<u>5,702</u>	<u>1,376</u>	<u>28,563</u>
<i>Revenue</i>				
Advertising revenue - <i>Jewish Exponent</i>	2,362	-	-	2,362
Subscription revenue - <i>Jewish Exponent</i>	115	-	-	115
Investment income	2,515	811	-	3,326
Realized and unrealized gains on investments	9,475	7,965	-	17,440
Change in value				
Nonparticipating assets	1,005	(4)	-	1,001
Charitable remainder trust agreements	-	57	-	57
Charitable gift annuities	124	-	-	124
Other income	3,963	-	-	3,963
In-kind contributions	848	-	-	848
Total revenue	<u>20,407</u>	<u>8,829</u>	<u>-</u>	<u>29,236</u>
Net assets released from restrictions	<u>8,755</u>	<u>(8,755)</u>	<u>-</u>	<u>-</u>
<b>Total public support and revenue</b>	<u>50,647</u>	<u>5,776</u>	<u>1,376</u>	<u>57,799</u>
<b>Program allocations and expenses</b>				
<i>Program allocations and expenses</i>				
Grants and allocations				
Jewish Continuity	4,028	-	-	4,028
Safety Net	4,591	-	-	4,591
Community Services	161	-	-	161
Designated campaign support				
Jewish Continuity	640	-	-	640
Safety Net	1,314	-	-	1,314
Philanthropic fund support	7,227	-	-	7,227
Direct endowment fund support	3,134	-	-	3,134
Program operations	12,723	-	-	12,723
Other program support	455	-	-	455
Total program allocations and program operations expenses	<u>34,273</u>	<u>-</u>	<u>-</u>	<u>34,273</u>
<i>Expenses</i>				
<i>Jewish Federation</i>				
Financial resource development	5,836	-	-	5,836
Supporting services, management, and general	2,774	-	-	2,774
Provision for uncollectibles	322	-	-	322
Unrelated business income tax	188	-	-	188
Total Jewish Federation expenses	<u>9,120</u>	<u>-</u>	<u>-</u>	<u>9,120</u>
Total program allocations and Jewish Federation expenses	<u>43,393</u>	<u>-</u>	<u>-</u>	<u>43,393</u>
<i>Jewish Exponent</i>				
Production	805	-	-	805
Editorial	398	-	-	398
Administration	372	-	-	372
Sales and office	613	-	-	613
Total Jewish Exponent expenses	<u>2,188</u>	<u>-</u>	<u>-</u>	<u>2,188</u>
Total program allocations and expenses	<u>45,581</u>	<u>-</u>	<u>-</u>	<u>45,581</u>
<b>Change in net assets from operations</b>	<u>5,066</u>	<u>5,776</u>	<u>1,376</u>	<u>12,218</u>
<i>Other changes in net assets</i>				
Pension-related changes other than net periodic pension costs	2,612	-	-	2,612
Change in fair value of interest rate swap agreements	526	-	-	526
Total other changes in net assets	<u>3,138</u>	<u>-</u>	<u>-</u>	<u>3,138</u>
<b>Change in net assets</b>	<u>8,204</u>	<u>5,776</u>	<u>1,376</u>	<u>15,356</u>
Net assets at beginning of year	<u>98,559</u>	<u>58,599</u>	<u>40,600</u>	<u>197,758</u>
<b>Net assets at end of year</b>	<u>\$ 106,763</u>	<u>\$ 64,375</u>	<u>\$ 41,976</u>	<u>\$ 213,114</u>

# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

## Consolidated Statements of Cash Flows (In thousands)

	<b>Year Ended August 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 17,807	\$ 15,356
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Realized and unrealized gains on investments	(12,736)	(17,440)
Change in value - nonparticipating assets	(3,993)	(1,001)
Change in value - charitable remainder trust agreements	(168)	(57)
Change in value - charitable gift annuities	114	(124)
Change in fair value of interest rate swap agreements	(502)	(526)
Depreciation	1,258	1,268
Provision for uncollectible pledges	393	322
Contribution of nonparticipating assets	(300)	(96)
Contribution of charitable gift annuities	(1,622)	(7)
Permanently restricted contributions	(3,171)	(1,376)
Loss on disposal of fixed assets	10	-
<i>Changes in operating assets and liabilities</i>		
<i>(Increase) decrease in</i>		
Assets held under revocable trust agreements	(955)	5,081
Pledges receivable	(1,683)	(1,762)
Customer accounts receivables, prepaid expenses and other current assets	(220)	328
Other assets	(366)	(685)
<i>Increase (decrease) in</i>		
Grants payable	593	(125)
Donor-restricted liabilities	(211)	400
Accounts payable and accrued expenses	(389)	(3,097)
Liabilities under revocable trust agreements	955	(5,081)
Deferred revenue	(199)	(77)
Accrued pension benefit costs	(2,713)	(2,612)
Other noncurrent liabilities	(11)	(50)
Net cash used in operating activities	<u>(8,109)</u>	<u>(11,361)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(34,049)	(19,061)
Proceeds from sales and distributions of investments	37,535	23,167
Proceeds from sales of nonparticipating assets	2,526	2,773
Proceeds from charitable remainder trust assets	610	207
Purchase of building and equipment	(455)	(73)
Net cash provided by investing activities	<u>6,167</u>	<u>7,013</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Line-of-credit borrowings/payments, net	(270)	2,939
Repayments of long-term debt	(210)	(235)
Payments to charitable remainder trust beneficiaries	(144)	(202)
Payments to charitable gift annuity beneficiaries	(339)	(362)
Proceeds from charitable gift annuities	3,074	10
Proceeds from permanently restricted contributions	3,171	1,376
Net cash provided by financing activities	<u>5,282</u>	<u>3,526</u>
Net increase (decrease) in cash and cash equivalents	3,340	(822)
Cash and cash equivalents, beginning of year	<u>9,100</u>	<u>9,922</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 12,440</u>	<u>\$ 9,100</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 1,278</u>	<u>\$ 1,117</u>

See notes to consolidated financial statements



# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

## Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

### NOTE 1 - NATURE OF ACTIVITIES

The consolidated financial statements of Jewish Federation of Greater Philadelphia and Subsidiary (“Organization”) include the accounts of Jewish Federation of Greater Philadelphia (“Jewish Federation”) and the Jewish Publishing Group (“Jewish Exponent”).

The Jewish Federation has received a determination letter from the Internal Revenue Service (“IRS”) stating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Jewish Federation is the hub of Greater Philadelphia's Jewish community through giving, inclusion and tradition. Through philanthropists, organizations, volunteers, and staff, the Jewish Federation fills three key roles: community convener, fundraiser and grant maker. The Jewish Federation mobilizes financial and volunteer resources to address the communities’ most critical priorities locally, in Israel and around the world.

The Jewish Exponent publishes a weekly newspaper (the *Jewish Exponent*) and an annual *Guide to Jewish Philadelphia*, which are distributed in the Philadelphia metropolitan-area Jewish community.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### [a] Basis of accounting:

These consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

#### [b] Classification of net assets:

Resources in the consolidated financial statements are classified for accounting and reporting purposes in classes of net assets according to the existence or absence of donor-imposed restrictions.

The accompanying consolidated financial statements include the following classes of net assets:

- **Unrestricted**

Unrestricted net assets are used to account for funds which have not been externally restricted by donors.

- **Temporarily restricted**

Temporarily restricted net assets are subject to donor-imposed restrictions that will be met, either by actions of the Organization and/or the passage of time. In addition, temporarily restricted net assets include income generated from permanently restricted net assets that has not yet been designated for expenditure by the Board of Directors. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, or when income generated from permanently restricted net assets is designated for expenditure by the Board of Directors, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

- **Permanently restricted**

Permanently restricted net assets represent those resources subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [c] Principles of consolidation:

The accompanying consolidated financial statements include the accounts of the Jewish Federation and the Jewish Exponent. All significant intercompany transactions and balances have been eliminated.

##### [d] Use of estimates:

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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.

##### [e] Cash and cash equivalents:

Cash and cash equivalents represent cash in banks and investment portfolios, money market funds, and other highly liquid investments with an original maturity of three months or less. As of August 31, 2018 and 2017, the Organization had deposits in money market funds of approximately \$12,009 and \$7,908, respectively, which are included in cash and cash equivalents.

##### [f] Assets and liabilities under revocable trust agreements:

Revocable trust agreements represent funds held and invested for other not-for-profit organizations by the Jewish Federation, which is also the trustee of these funds. These funds may be revoked at will by these third parties; therefore, a liability for the fair value of these funds has been recorded. 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 included in the accompanying consolidated statements of activities and changes in net assets.

##### [g] Pledges receivable:

Pledges receivable generally represent amounts receivable from donors for the Jewish Federation's Jewish Community Fund campaign and other ongoing campaigns. Pledges receivable expected to be collected after one year are discounted at a risk-free rate of return. Management determines the allowance for uncollectible accounts based on historical collections experience and its estimate of realization of the underlying pledges. Individual pledges are written off when deemed uncollectible. Pledges are recorded at their fair value when received. Fair values are measured based on the present value of future cash flows, with consideration of expectations about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The fair value measurements also include consideration of the donors' credit risk.

##### [h] Customer accounts receivable:

The Jewish Federation's customer accounts receivable relate to amounts due from tenants at the Schwartz Campus and other trade receivables. The Jewish Exponent's customer accounts receivable 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 the aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as revenue when received. Interest is not recorded on any past due balances.

# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

## Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [i] Land, buildings and equipment, net:

The Jewish Federation capitalizes all buildings and equipment purchased with a cost of five thousand dollars or more and a useful life beyond one year. Land, buildings, and equipment are recorded at cost. Buildings and equipment are depreciated on a straight-line basis over the estimated useful lives of the respective assets as follows:

Buildings	30 - 40 years
Building alterations	15 - 20 years
Furniture and equipment	7 years
Computer equipment	3 - 5 years

Donated property and equipment are recorded at fair value at the date of the receipt and then recorded as unrestricted at the date the asset is placed in service, unless the donor stipulates otherwise. The cost and accumulated depreciation of property sold or retired are removed from the related asset and accumulated depreciation accounts, and the resultant gain or loss is recorded in the period of disposal.

The Jewish Federation reviews its property for impairment when facts or circumstances indicate a potential impairment, and for the years ended August 31, 2018 and 2017, there were no adjustments made for impairment losses.

#### [j] Charitable remainder trusts:

The Jewish Federation acts as trustee for various trusts. These trusts are governed by the respective trust agreements, which generally provide for an income stream to the donor or a third-party beneficiary. Upon termination of the trust, the Jewish Federation or another not-for-profit organization receives the remaining assets in the trust. Contributions made through the establishment of charitable remainder trusts with the Jewish Federation are accounted for as temporarily restricted public support when the trust agreements are executed.

Assets under charitable remainder trusts are recorded at the fair value of the related trust assets, and liabilities under the charitable remainder trusts are recorded at the present value of the estimated payments to the outside beneficiaries. Estimated life expectancy is determined using IRS mortality tables. The liabilities are adjusted annually for amortization of discount and changes in actuarial assumptions. These adjustments are recorded as changes in value of charitable remainder trusts. The Jewish Federation records the present value of the charitable remainder interest discounted at rates of approximately 3%, which is based on current market conditions.

#### [k] Charitable gift annuities:

Under charitable gift annuities, the Jewish Federation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contribution revenues under charitable gift annuity arrangements are recognized at the net of the related assets that have been recorded at fair value, less the related liabilities that have been recorded at the present value of the estimated payments to the beneficiaries. Estimated life expectancy is determined using IRS mortality tables. The liabilities are adjusted annually for amortization of discount and changes in actuarial assumptions. These adjustments are recorded as changes in value of charitable gift annuities. The Jewish Federation records the present value of the estimated payments to beneficiaries discounted at rates of approximately 3%, which is based on current market conditions. Assets held under charitable gift annuities are included in long-term investments in the consolidated statements of financial position.

# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

## Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [l] Long-term investments:

Investments are stated at fair value in the accompanying consolidated statements of financial position. Gains and losses on investments, including unrealized gains and losses, are reported as increases or decreases in unrestricted net assets unless the use of the investment or income is limited by law or donor-imposed restriction. Donor-restricted income is reported as an increase in temporarily restricted investment income in accordance with donor restrictions.

#### [m] Nonparticipating assets:

Nonparticipating assets generally represent noncash contributions from donors that are to be used for funding purposes once such assets have been converted into cash. Nonparticipating assets are recorded as unrestricted, temporarily restricted or permanently restricted public support depending on the existence and/or nature of any donor restrictions when received. Such assets are recorded at fair value or another basis, as described in Note 6, at the date of contribution.

#### [n] Other assets:

Other assets consist primarily of the cash surrender value of life insurance policies on Jewish Federation donors. The Jewish Federation is both the owner and beneficiary of 79 and 77 life insurance policies as of August 31, 2018 and 2017, respectively. The approximate face value of the policies is \$51,107 and \$45,004 as of August 31, 2018 and 2017, respectively. The cash surrender value of the policies is \$3,677 and \$3,273 as of August 31, 2018 and 2017, respectively.

#### [o] Grants payable:

Program allocations/grants are approved annually in the program allocation process by the Finance Committee; the Policy, Strategy, and Funding Committee; the Board of Directors; and the Board of Trustees. The grants payable are recorded when the amounts are approved (normally approved in May) and based on the approved amounts to be paid the following fiscal year. Amounts approved to fund Jewish Federation-run programs are recognized in the period the expense is incurred.

#### [p] Donor-restricted liabilities:

Donor-restricted liabilities represent amounts payable to third parties for amounts raised on behalf of others. The Jewish Federation does not have the right to redirect these funds.

#### [q] Campaign pledges/other contributions and bequests:

Campaign pledges and other contributions and bequests are recognized when the donor makes a promise to the Jewish Federation that is unconditional. Conditional promises to give are only recognized when the conditions on which they depend are substantially met. There were no conditional contributions for either of the years ended August 31, 2018 or 2017. Campaign pledges and other contributions and bequests received are recorded as unrestricted, temporarily restricted and permanently restricted support depending on the existence and/or nature of any donor restrictions.

The Jewish Federation conducts a fundraising campaign ending December 31 each year. Pledges made during the Jewish Federation's twelve-month fiscal year, which may include multiple campaign years, are recorded as public support in the fiscal year the pledge is made. Fundraising campaigns may cross fiscal years.

# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

## Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [r] Grants to campaigns from philanthropic and endowment funds:

With consideration given to the nonbinding recommendations of the donors, philanthropic funds of the Jewish Federation may be distributed, at the Jewish Federation's discretion, to the Jewish Federation for its campaigns. In addition, certain endowment funds have been established by donors to provide a distribution to fulfill their annual Jewish Federation campaign gift in perpetuity. As the philanthropic and endowment fund contributions are already included in the net assets of the Jewish Federation, such amounts distributed in the current year are included as a reduction of public support.

#### [s] Amounts raised on behalf of others:

Amounts raised on behalf of others represent funds raised in conjunction with the Jewish Federation's annual campaign but were donor-restricted to other agencies/charities. The Jewish Federation does not have the right to redirect these funds; thus, these amounts are reflected as a reduction of public support and included as a donor-restricted liability.

#### [t] Donated assets:

Donated marketable securities and other noncash donations are recorded as contributions at their fair value at the date of donation within the appropriate consolidated statements of activities and changes in net assets' line item.

#### *In-kind contributions*

Donations of materials and services for events, food for the Mitzvah Food Project, and other materials and supplies are recorded as contributions at their fair value at the date of donation or at their fair value when the services are received. Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose.

#### [u] Fair value of financial instruments:

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. The framework defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants.

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The fair value 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [u] Fair value of financial instruments (continued):

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of August 31, 2018 or 2017.

*Mutual funds* – Valued at the net asset value of shares held by the Organization at year-end.

*Bonds and asset-backed securities* – Valued at the closing price of assets held by the Organization at year-end based upon valuations provided by independent, third-party pricing agents.

*Publicly-traded stock* – Valued at the closing price reported on the active market on which the individual securities are traded.

*Alternative investments* – Valued at net asset value as a practical expedient.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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 financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

##### **Changes in fair value levels:**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended August 31, 2018 and 2017, there were no transfers into or out of Levels 1, 2 or 3.

##### [v] Credit and financial risk:

Substantially all promises to give are derived from individual donors. All of these receivables are unsecured. The Jewish Federation's and Jewish Exponent's customer accounts receivable are also unsecured.

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

The Jewish Federation invests in a professionally managed portfolio that contains mutual funds, asset-backed securities, bonds, and alternative investments. Such investments are exposed to several risks such as interest rate, 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 reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [w] Interest rate swap agreements:

The Jewish Federation participates in interest rate swap agreements, which are a derivative financial instrument required to be recorded at fair value. The Jewish Federation recognizes such derivative financial instruments as either assets or liabilities at their fair value (based on a third party's proprietary discounted cash flow model, which considers past, present, and future assumptions regarding interest rates and market conditions to estimate the fair value of the agreement) in the consolidated statements of financial position, with the current year changes in the fair value reported in the consolidated statements of activities and changes in net assets.

##### [x] Functional allocation of expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. The operating expenses of the Jewish Federation have been either directly charged to or allocated, as determined by management, among: Program Operations; Supporting Services, Management and General; and Financial Resource Development.

##### [y] New accounting pronouncements:

In August 2016, FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources, and e) presentation of operating cash flows. The new standard will be effective for fiscal years beginning after December 15, 2017, which will be the fiscal year ending August 31, 2019 for the Organization. The adoption of ASU 2016-14 will require reclassification of net assets classes and additional disclosures related to liquidity and availability of resources.

In May 2014, FASB issued new guidance related to *Revenue from Contracts with Customers*. This guidance supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Accounting Standards Codification. The guidance requires an entity to recognize revenue to depict the transfer of promised goods or 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 also expands the footnote disclosure requirements around contracts with customers. An entity can either adopt retrospectively to each prior reporting period presented, or elect a modified retrospective approach with the cumulative effect of initially applying the update recognized at the date of initial application. The guidance will be effective for the Organization for the fiscal year ending August 31, 2020. Management is currently evaluating the impact of the adoption of the revenue recognition guidance on its consolidated financial statements and related disclosures.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers, with early adoption permitted. The guidance will be effective for the Organization for the fiscal year ending August 31, 2020. ASU 2018-08 should be applied on a modified prospective basis. Management is currently evaluating the effect that the new standard will have on its consolidated financial statements and related disclosures.

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [z] Reclassification:

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform to the current year presentation.

#### NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable as of August 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Annual campaign	\$ 7,501	\$ 6,023
Donor restricted	<u>-</u>	<u>185</u>
Pledges receivable before allowance for uncollectibles	7,501	6,208
Less allowance for uncollectible pledges	<u>(732)</u>	<u>(729)</u>
Net pledges receivable	<u>\$ 6,769</u>	<u>\$ 5,479</u>
Amounts due:		
Less than one year	\$ 6,260	\$ 5,051
One to five years	<u>1,241</u>	<u>1,157</u>
	<u>\$ 7,501</u>	<u>\$ 6,208</u>

#### NOTE 4 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment as of August 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,250	\$ 1,250
Building, furniture and equipment	11,335	11,795
Computer hardware and software	1,723	1,635
Properties used by agencies and other:		
Land	5,804	5,804
Buildings and equipment	<u>38,377</u>	<u>38,136</u>
	58,489	58,620
Less accumulated depreciation	<u>(25,486)</u>	<u>(24,804)</u>
	<u>\$ 33,003</u>	<u>\$ 33,816</u>

Depreciation was \$1,258 and \$1,268 for the years ended August 31, 2018 and 2017, respectively.





## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 5 - INVESTMENTS (CONTINUED)

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of August 31, 2018:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge fund (a)	\$ 16,767	\$ -	N/A	N/A
Private equity (b)	7,881	11,774	N/A	N/A
Private real estate (c)	557	1,469	N/A	N/A
Venture capital (d)	<u>4,418</u>	<u>4,391</u>	N/A	N/A
	<u>\$ 29,623</u>	<u>\$ 17,634</u>		

[a] This category includes investments in hedge funds that seek capital appreciation principally through investing in investment funds managed by third-party investment managers who employ a variety of alternative investment strategies. Hedge fund investments generally have long investment holding periods and are considered illiquid. The fair values of the investments in this category have been estimated using the net asset value, as a practical expedient, per share of the investments.

[b] This category includes investments in primarily limited partnerships that seek capital appreciation through various strategies. Private equity investments generally have long investment holding periods and are considered illiquid. The fair values of the investments in this category have been estimated using the net asset value, as a practical expedient, per share of the investments.

[c] This category includes investments in limited partnerships that seek long-term capital appreciation through investing in real estate related assets, through direct and indirect investments in subpartnerships and the issuance of lines-of-credit. Private real estate investments generally have long investment holding periods and are considered illiquid. The fair values of the investments in this category have been estimated using the net asset value, as a practical expedient, per share of the investments.

[d] This category includes investments in limited partnerships focused on providing growth capital to proven management teams focused primarily on the upstream sector in North America's oil and gas industry. Venture capital investments generally have long investment holding periods and are considered illiquid. The fair values of the investments in this category have been estimated using the net asset value, as a practical expedient, per share of the investments.

# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

## Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

### NOTE 6 - NONPARTICIPATING ASSETS

Nonparticipating assets as of August 31, 2018 and 2017 consisted of the following:

<b>Nonparticipating Assets at Fair Value as of August 31, 2018</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Publicly-traded stock	\$ 22,088	\$ -	\$ -	\$ 22,088
Real estate (A)				300
Other nonparticipating assets (A)				<u>142</u>
				<u>\$ 22,530</u>

<b>Nonparticipating Assets at Fair Value as of August 31, 2017</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Publicly-traded stock	\$ 18,668	\$ -	\$ -	\$ 18,668
Promissory notes (A)				1,803
Real estate (A)				150
Other nonparticipating assets (A)				<u>142</u>
				<u>\$ 20,763</u>

(A) Nonparticipating assets not measured at fair value have not been classified in the fair value hierarchy. Promissory notes are valued at amortized cost. Real estate and other nonparticipating assets are valued at appraised value and at fair value, respectively, on the date of the contribution. The amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

### NOTE 7 - LINES-OF-CREDIT

Lines-of-credit borrowings as of August 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Jewish Federation	\$ 5,000	\$ 5,270
Jewish Exponent	<u>1,799</u>	<u>1,799</u>
	<u>\$ 6,799</u>	<u>\$ 7,069</u>

# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

## Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

### NOTE 7 - LINES-OF-CREDIT (CONTINUED)

The Jewish Federation has an unsecured line-of-credit with a bank, with a maximum borrowing of \$5,500, to be used for working capital purposes. As of August 31, 2018, the interest rate on the line-of-credit was the prime rate minus 0.50% (4.50% as of August 31, 2018). As of August 31, 2017, the interest rate on the line-of-credit was the prime rate minus 0.25% (4.00% as of August 31, 2017). The current terms of the line-of-credit were extended to April 30, 2019.

The Jewish Exponent has an unsecured line-of-credit with a bank, with a maximum borrowing of \$1,800, which is guaranteed by the Jewish Federation. As of August 31, 2018, the interest rate on the line-of-credit was the prime rate minus 0.50% (4.50% as of August 31, 2018). As of August 31, 2017, the interest rate on the line-of-credit was the prime rate minus 0.25% (4.00% as of August 31, 2017). The current terms of the line-of-credit were extended to April 30, 2019.

### NOTE 8 - LONG-TERM DEBT

Long-term debt payable as of August 31, 2018 and 2017 consists of the following:

	<u>August 31</u>	
	<u>2018</u>	<u>2017</u>
Tax exempt bond financing - variable rate bonds through the National Jewish Federation Bond Program issued by Colorado Educational and Cultural Facilities Authority; variable interest rate as of August 31, 2018 of 2.34%; subject to a fixed interest rate of 2.25% under an interest rate swap agreement; interest is payable on a monthly basis; annual principal payments varying from \$130 to \$280 through 2034 and \$23,235 due in May 2038; collateralized by certain property of the Jewish Federation	\$ 26,410	\$ 26,540
Taxable bond financing - variable rate bonds through the National Jewish Federation Bond Program issued by Colorado Educational and Cultural Facilities Authority; variable interest rate as of August 31, 2018 of 3.23%; subject to a fixed interest rate of 3.24% under an interest rate swap agreement; interest is payable on a monthly basis; principal payment of \$11,200 due in May 2038; collateralized by certain property of the Jewish Federation	11,200	11,200
Loan payable in monthly installments of \$3, plus interest at prime minus 0.50% (4.50% as of August 31, 2018) with a final installment of remaining principal and interest due on December 1, 2031; collateralized by certain investments of the Jewish Federation	495	532
Loan payable in monthly installments of \$1, plus interest at prime minus 0.50% (4.50% as of August 31, 2018) with a final installment of remaining principal and interest due on December 1, 2026; collateralized by certain investments of the Jewish Federation	143	160
Loan payable in monthly installments of \$1, at 0% interest with a final installment of remaining principal due on June 1, 2020; collateralized by certain property of the Jewish Federation	<u>30</u>	<u>47</u>
Subtotal, carried forward	38,278	38,479

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 8 - LONG-TERM DEBT (CONTINUED)

	August 31	
	2018	2017
Subtotal, brought forward	38,278	38,479
Lease payable in monthly installments of \$1, including interest at 1.84%, with a final installment of remaining principal and interest due in June 2021; collateralized by certain equipment	23	32
	38,301	38,511
Less current portion	(209)	(209)
	<u>\$ 38,092</u>	<u>\$ 38,302</u>

#### Loans Funded by Bond Financing

The Jewish Federation used the proceeds of the tax-exempt bonds to refund previously issued bonds for the purpose of (i) refinancing a portion of short-term debt obtained for the acquisition of the property at the Schwartz Campus; (ii) paying down mortgages for the KleinLife branch and 2100 Arch Street; (iii) funding capital improvements at 2100 Arch Street, the Mandell Campus, and the KleinLife branch; (iv) financing certain issuance expenses; and (v) paying capitalized interest on the tax-exempt bonds.

The Jewish Federation used the proceeds of the taxable bond financing to refund previously issued taxable bonds for the purpose of (i) refinancing a portion of short-term debt obtained for the acquisition of the property at the Schwartz Campus not able to be financed via tax-exempt bonds; (ii) terminating the interest rate swap relating to the tax-exempt bond that was originally issued in December 2004; (iii) paying the issuance costs of the tax-exempt and taxable bonds issued on September 4, 2012; and (iv) paying capitalized interest and issuance costs of the taxable bonds.

A bank was the initial holder on all tax-exempt and taxable bonds issued. Under the loan agreement with the bank, there was an Initial Fixed Mandatory Repurchase date of September 4, 2019. Effective November 1, 2018, the Jewish Federation refinanced the tax-exempt and taxable bonds with tax-exempt and taxable loans with a different bank. The new loan agreements include Initial Fixed Mandatory Repurchase (tax-exempt) and Mandatory Prepayment (taxable) dates of November 1, 2028. All other terms remain similar to the previous bond agreements.

The bonds (and refinanced loans) require the Jewish Federation to comply with certain financial and nonfinancial covenants.

Interest for the years ended August 31, 2018 and 2017 was \$1,290 and \$1,139, respectively.

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 8 - LONG-TERM DEBT (CONTINUED)

The scheduled aggregate maturities of obligations for the year ended August 31, 2018 were as follows:

<u>Year Ending August 31</u>	<u>Debt</u>	<u>Capital Lease</u>	<u>Total</u>
2019	\$ 200	\$ 9	\$ 209
2020	209	9	218
2021	199	5	204
2022	209	-	209
2023	214	-	214
Thereafter	<u>37,247</u>	<u>-</u>	<u>37,247</u>
	<u>\$ 38,278</u>	<u>\$ 23</u>	<u>\$ 38,301</u>

#### Interest Rate Swap Agreements

The Jewish Federation uses interest rate swap agreements to mitigate the risk of changes in interest rates associated with variable interest rate indebtedness. Under such arrangements, a portion of the variable-rate indebtedness is converted to fixed rates based on a notional principal amount. Interest rate swap agreements are measured at fair value and categorized as Level 2 based upon the level of judgment associated with the inputs used to measure the fair value as detailed in Note 2[w].

The Jewish Federation has an interest rate swap agreement in place related to its tax-exempt bond financing. As of August 31, 2018, the notional principal amount under the interest rate swap agreement matures in July 2020 and totals \$13,000. Effective February 1, 2017, the terms of the swap agreement were amended and the fixed interest rate was reduced upon consultation with the swap advisor and the provider. The fixed interest rate under this interest rate swap agreement is 2.25% as of August 31, 2018 and 2017. As of August 31, 2018 and 2017, the fair value of the interest rate swap agreement was a liability of \$77 and \$384, respectively, which is included in the consolidated statements of financial position in other noncurrent liabilities. The change in fair value of the interest rate swap agreement of \$307 and \$327 for the years ended August 31, 2018 and 2017, respectively, is included in the consolidated statements of activities and changes in net assets.

The Jewish Federation has an interest rate swap agreement in place related to its taxable bond financing. As of August 31, 2018, the notional principal amount under the interest rate swap agreement matures in July 2020 and totals \$5,000. Effective February 1, 2017, the terms of the swap agreement were amended and the fixed interest rate was reduced upon consultation with the swap advisor and the provider. The fixed interest rate under this interest rate swap agreement is 3.24% as of August 31, 2018 and 2017. As of August 31, 2018 and 2017, the fair value of the interest rate swap agreement was a liability of \$57 and \$252, respectively, which is included in the consolidated statements of financial position in other noncurrent liabilities. The change in fair value of the interest rate swap agreement of \$195 and \$199 for the years ended August 31, 2018 and 2017, respectively, is included in the consolidated statements of activities and changes in net assets.

On November 29, 2018, in conjunction with the refinancing of the tax-exempt and taxable bonds, the Jewish Federation entered into forward-facing interest rate swap agreements that will start July 2020 at the time the two aforementioned swaps expire. The interest rate swap agreement related to the tax-exempt financing will have a nonamortizing notional amount of \$13,000 with a fixed interest rate of 3.17%. The interest rate swap agreement related to the taxable financing will have a nonamortizing notional amount of \$5,600 with a fixed interest rate of 3.99%. Both interest rate swap agreements will mature in November 2028, which coincides with the maturity of the refinanced tax-exempt and taxable loans.

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 9 - UNRESTRICTED NET ASSETS

Unrestricted net assets include funds that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. The components of unrestricted net assets as of August 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 47,604	\$ 41,263
Philanthropic Funds	45,715	41,164
Allied Fund	3,637	3,573
Nonparticipating assets	<u>22,380</u>	<u>20,763</u>
	<u>\$ 119,336</u>	<u>\$ 106,763</u>

Included in unrestricted net assets are Philanthropic Funds that are distributed at the discretion of the Jewish Federation. While Philanthropic Funds are unrestricted, those funds have been segregated so that distributions may be made to Section 501(c)(3) charities, including the Jewish Federation under its Jewish Community Fund campaign and other campaigns, with consideration given to the nonbinding recommendations of the donors.

Undesignated net assets are available for operations. Any income earned on these funds is recorded as unrestricted in the accompanying consolidated statements of activities and changes in net assets. Included in the undesignated net asset amounts above are board-designated endowment funds totaling \$36,969 and \$40,063 as of August 31, 2018 and 2017, respectively.

#### NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include contributions whose use by the Jewish Federation is limited by donor-imposed restrictions that expire by the passage of time or can be fulfilled and removed by actions of the Jewish Federation pursuant to those restrictions.

Temporarily restricted net assets as of August 31, 2018 and 2017 are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Charitable remainder trust	\$ 965	\$ 1,263
Operations of agencies	539	407
Perpetual annual campaign	1,630	1,422
Capital repairs	462	651
Health and welfare	44,612	44,534
Jewish education and child care	14,277	12,219
Financial assistance to medical students	3,142	3,033
Future years annual campaign pledges	<u>511</u>	<u>846</u>
	<u>\$ 66,138</u>	<u>\$ 64,375</u>

Income earned on these funds is generally recorded as an increase to temporarily restricted net assets in accordance with donor restrictions.

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets released from donor restrictions for the years ended August 31, 2018 and 2017 are summarized below:

	<u>2018</u>	<u>2017</u>
Charitable remainder trust	\$ 466	\$ 5
Operations of agencies	233	258
Perpetual annual campaign	377	384
Capital repairs	135	143
Health and welfare	6,103	4,997
Jewish education and child care	3,594	2,660
Financial assistance to medical students	164	176
Expiration of restrictions on future years campaign pledges	<u>688</u>	<u>132</u>
	<u>\$ 11,760</u>	<u>\$ 8,755</u>

#### NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets result from contributions whose use by the Jewish Federation is limited by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Jewish Federation.

These net assets represent endowment funds with respect to which donors have restricted, as a condition of the gift, the principal is to be maintained as prescribed by the donor and invested. Income earned on such funds is generally restricted as to use.

Permanently restricted net assets are donor-restricted endowments restricted in perpetuity with income available to support the purposes summarized below:

	<u>2018</u>	<u>2017</u>
Health and Welfare	\$ 17,136	\$ 14,475
Jewish education and child care	13,531	12,808
Financial assistance to medical students	983	934
Operations of agencies	5,388	5,386
Perpetual annual campaign	8,055	8,019
Capital repairs	<u>354</u>	<u>354</u>
	<u>\$ 45,447</u>	<u>\$ 41,976</u>



# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

## Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

### NOTE 12 - ENDOWMENTS

The Jewish Federation follows FASB ASC 958-205-05, *Not for Profit Entities, Presentation of Financial Statements—Reporting Endowment Funds*, which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) and additional disclosures about an organization’s endowment funds. The Commonwealth of Pennsylvania has not adopted UPMIFA.

The Jewish Federation’s endowment consists of various investment funds established primarily for support of the Jewish Federation’s mission. Its endowment includes donor-restricted as well as board-designated endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Jewish Federation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of Directors has elected to be governed by the Commonwealth of Pennsylvania’s Act 141 (“Act 141”). Act 141 permits a total return policy that allows a nonprofit to choose to treat a percentage of the average fair value of the endowment’s permanently restricted investments as income each year for use in current operations. Pennsylvania law permits a percentage not less than 2% and not more than 7%.

However, the long-term preservation of the real value of the assets must be taken into consideration when the Board of Directors elects the amount. In accordance with Act 141, the Jewish Federation annually applies the approved spending rate percentage to a twelve quarter average fair value of the endowment fund investments. The Jewish Federation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. Earnings on these gifts are accumulated in temporarily restricted net assets.

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

- a. Protecting the corpus of the endowment fund.
- b. Preserving the spending power of assets.
- c. Obtaining maximum investment return with reasonable risk and operational consideration.
- d. Complying with applicable laws and donor restrictions.

Endowment fund net assets as of August 31, 2018 consisted of the following:

	<b>Board Designated Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
August 31, 2018	<u>\$ 36,969</u>	<u>\$ 15,256</u>	<u>\$ 45,447</u>	<u>\$ 97,672</u>
August 31, 2017	<u>\$ 40,063</u>	<u>\$ 14,045</u>	<u>\$ 41,976</u>	<u>\$ 96,084</u>

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 12 - ENDOWMENTS (CONTINUED)

The following represents the change in endowment funds and Board designated unrestricted endowment funds, by net asset type, for the years ended August 31, 2018 and 2017:

	<b>2018</b>			
	<b>Board Designated Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at beginning of year	\$ 40,063	\$ 14,045	\$ 41,976	\$ 96,084
Investment return:				
Investment income - interest and dividends	1,524	467	-	1,991
Net change in market value	2,011	3,168	-	5,179
Contributions	1,045	-	3,471	4,516
Expenditures	(7,674)	-	-	(7,674)
Net assets released from restrictions	<u>-</u>	<u>(2,424)</u>	<u>-</u>	<u>(2,424)</u>
Endowment net assets at end of year	<u>\$ 36,969</u>	<u>\$ 15,256</u>	<u>\$ 45,447</u>	<u>\$ 97,672</u>
	<b>2017</b>			
	<b>Board Designated Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at beginning of year	\$ 39,392	\$ 11,615	\$ 40,600	\$ 91,607
Investment return:				
Investment income - interest and dividends	1,521	425	-	1,946
Net change in market value	2,884	4,429	-	7,313
Contributions	1,099	-	1,376	2,475
Expenditures	(4,833)	-	-	(4,833)
Net assets released from restrictions	<u>-</u>	<u>(2,424)</u>	<u>-</u>	<u>(2,424)</u>
Endowment net assets at end of year	<u>\$ 40,063</u>	<u>\$ 14,045</u>	<u>\$ 41,976</u>	<u>\$ 96,084</u>

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 12 - ENDOWMENTS (CONTINUED)

##### Funds with Deficiencies

Periodically, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor has required the Jewish Federation to retain as a fund of perpetual duration. Total deficiencies of this nature were approximately \$1,389 and \$1,484 as of August 31, 2018 and 2017, respectively, and reduce temporarily restricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued discretionary appropriations for certain programs that were deemed prudent by the Board of Directors.

##### Return Objectives and Risk Parameters

The Jewish Federation has adopted investment and spending policies for endowment assets that attempt to provide a reasonable level of funding to programs supported by its endowment, while seeking to enhance the purchasing power of the fund's corpus by striving for long-term growth. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as those of board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the policy benchmark while assuming a moderate level of investment risk.

##### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Jewish Federation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Jewish Federation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investment advisors, at the discretion of the Investment Committee of the Board of Directors, are given guidelines to the percentage that can be committed to a particular investment or investment category.

##### Spending Policy and Investment Objectives Related to Spending Policy

In accordance with Act 141, the Jewish Federation annually applies the approved spending rate percentage (4.75% for each of the years ended August 31, 2018 and 2017) to a twelve-quarter average fair value of the permanently restricted endowment funds and transfers the amount to unrestricted net assets for use in current and future operations. The Jewish Federation believes that this spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the Jewish Federation's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

#### NOTE 13 - PROGRAM ALLOCATIONS

The Jewish Federation carries out program allocations to address two key priorities: Jewish Continuity and Safety Net, locally, in Israel and around the world. Internal staff, along with lay leadership, are charged with identifying the key issues in the local and overseas communities as well as determining how to best address these issues. The Jewish Federation staff and lay leadership create, coordinate, and deliver services either directly or by granting funds to organizations through the annual program allocations grant process. For the years ended August 31, 2018 and 2017, there was \$2,595 granted each year to support these priority areas in Israel and around the world.

## **JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY**

### **Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)**

#### **NOTE 13 - PROGRAM ALLOCATIONS (CONTINUED)**

The Jewish Federation addresses Safety Net through a commitment to fund services that meet the needs of vulnerable community members of all ages, in Greater Philadelphia, in Israel and around the world. This includes delivering nutritional support, providing economic and emotional security through grants and counseling, enabling people with disabilities to reach their full potential and facilitating a wide array of services helping older adults to age safely, nourish their souls and live with dignity in their own homes.

The Jewish Federation addresses Jewish Continuity by supporting and facilitating vibrant Jewish living and learning locally and abroad for children, teens, young adults, and families. No matter where people are on their Jewish journey, we help provide opportunities including educational and camping resources, leadership development and family programs. This enables community members of all ages to engage in the rich tapestry of Jewish life, while securing the future of our Jewish world.

Amounts distributed to support overseas Jewish Continuity and Safety Net allocations are administered by the Jewish Federations of North America ("JFNA"), the umbrella organization of the North American Jewish Federations. JFNA, through its partner agencies and service providers, the Jewish Agency for Israel ("JAFI") and the American Jewish Joint Distribution Committee ("JDC"), supports needs in Israel and around the world.

Philanthropic fund allocations consist of distributions made to Section 501(c)(3) charities, with consideration given to the nonbinding recommendations of the donor advisers.

Direct endowment fund allocations are distributions from restricted endowment funds which support the purpose of the Jewish Federation and are in addition to those amounts allocated through the annual program allocations grant process.

#### **NOTE 14 - FUNCTIONAL EXPENSES - JEWISH FEDERATION**

The following represents the costs of activities and services provided by the Jewish Federation presented on a functional basis and by natural classification for the years ended August 31, 2018 and 2017. Indirect costs have been allocated to these activities based on the support they require.

# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

## Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

### NOTE 14 - FUNCTIONAL EXPENSES - JEWISH FEDERATION (CONTINUED)

The following represents the natural classification of expenses by function for the years ended August 31, 2018 and 2017:

	2018						
	Financial Resource Development	Supporting Services, Management, and General	Subtotal	Program Services			Total Functional Expenses
				Program Allocations	Program Operations	Subtotal	
Salaries	\$ 3,882	\$ 1,685	\$ 5,567	\$ -	\$ 3,745	\$ 3,745	\$ 9,312
Payroll tax and benefits	986	514	1,500	-	888	888	2,388
Conferences, conventions, and meetings	940	15	955	-	1,550	1,550	2,505
Grants and scholarships	-	-	-	22,277	2,520	24,797	24,797
Professional fees and contract services	236	134	370	-	928	928	1,298
Public relations, telephone, and postage	306	55	361	-	181	181	542
Supplies, printing, and photographs	391	362	753	-	946	946	1,699
Real estate maintenance and insurance	347	(363)	(16)	-	2,316	2,316	2,300
Depreciation	98	259	357	-	892	892	1,249
Interest	-	188	188	-	1,028	1,028	1,216
Provision for uncollectibles	393	-	393	-	-	-	393
Unrelated business income tax	-	132	132	-	-	-	132
Total expenses	<u>\$ 7,579</u>	<u>\$ 2,981</u>	<u>\$ 10,560</u>	<u>\$ 22,277</u>	<u>\$ 14,994</u>	<u>\$ 37,271</u>	<u>\$ 47,831</u>
	2017						
	Financial Resource Development	Supporting Services, Management, and General	Subtotal	Program Services			Total Functional Expenses
				Program Allocations	Program Operations	Subtotal	
Salaries	\$ 3,317	\$ 1,562	\$ 4,879	\$ -	\$ 3,297	\$ 3,297	\$ 8,176
Payroll tax and benefits	810	473	1,283	-	688	688	1,971
Conferences, conventions, and meetings	723	6	729	-	1,494	1,494	2,223
Grants and scholarships	-	-	-	21,550	1,476	23,026	23,026
Professional fees and contract services	81	106	187	-	800	800	987
Public relations, telephone, and postage	223	53	276	-	128	128	404
Supplies, printing, and photographs	288	391	679	-	924	924	1,603
Real estate maintenance and insurance	285	(233)	52	-	2,115	2,115	2,167
Depreciation	109	259	368	-	881	881	1,249
Interest	-	157	157	-	920	920	1,077
Provision for uncollectibles	322	-	322	-	-	-	322
Unrelated business income tax	-	188	188	-	-	-	188
Total expenses	<u>\$ 6,158</u>	<u>\$ 2,962</u>	<u>\$ 9,120</u>	<u>\$ 21,550</u>	<u>\$ 12,723</u>	<u>\$ 34,273</u>	<u>\$ 43,393</u>

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 15 - INCOME TAXES

The IRS has determined that the Jewish Federation qualifies as a publicly supported organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, there is no income tax applicable to its core business activities. The Jewish Federation does make payments for federal taxes relative to certain noncore business activities that subject the Jewish Federation to federal unrelated business income taxes ("UBIT"). For the years ended August 31, 2018 and 2017, the Jewish Federation reflected UBIT expense of \$55 and \$165, respectively, of which \$132 and \$188, respectively, is included in supporting services, management, and general expenses and (\$77) and (\$23), respectively, is netted against realized and unrealized gains/losses in the consolidated statements of activities and changes in net assets.

The Jewish Exponent is subject to income taxes and accounts for them in accordance with U.S. GAAP. The Jewish Exponent has net operating loss carryforwards for tax purposes of approximately \$3,910 that begin to expire in 2019. Since realization of the tax benefit associated with this carryforward is not considered more likely than not to be utilized, a full valuation allowance was recorded against this tax benefit.

The Organization adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. This interpretation clarifies the accounting for income taxes by prescribing the minimum standard a tax position is required to meet before being recognized in the consolidated financial statements. The Jewish Federation and the Jewish Exponent have not taken any uncertain tax position that should be accounted for under ASC 740. Management believes that the Organization is no longer subject to income tax examinations for years ended on or prior to August 31, 2014. However, to the extent net operating loss carryforwards are utilized in the future, these losses may still be adjusted upon examination.

#### NOTE 16 - RETIREMENT PLANS

##### 403(b) Plan

The Jewish Federation sponsors a deferred compensation plan pursuant to Internal Revenue Code Section 403(b). The 403(b) plan permits employees to voluntarily defer a percentage of their compensation, subject to statutory limits, until future years. Employees are eligible to participate in the 403(b) plan on the date of hire. The deferred compensation is not available to the employees until termination, retirement, death, or hardship distribution. The Jewish Federation matches 100% of the employee's contributions, up to 5% of the employee's compensation. For the years ended August 31, 2018 and 2017, the Jewish Federation contributed \$323 and \$285, respectively, to the plan.

##### Deferred Compensation Plan

The Jewish Federation offers certain management employees the option to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan permits the employees to voluntarily defer a percentage of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Jewish Federation does not fund the plan. The Jewish Federation had one employee in the deferred compensation plan as of August 31, 2018 and 2017.

##### Post-Retirement Benefit Plan

The Jewish Federation has post-retirement benefit plan obligations as of August 31, 2018 and 2017, for two former executives. Payments by the Jewish Federation on the obligations are payable when the former executives attain age 65. The benefit plan obligation liabilities are to be paid out over the next 17 years and have been recorded using a discount rate of approximately 2% to 3%. As of August 31, 2018 and 2017, the Jewish Federation has recorded a post-retirement benefit plan liability of \$117 and \$137, respectively, which is included in other noncurrent liabilities.

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 16 - RETIREMENT PLANS (CONTINUED)

##### Defined Benefit Pension Plan

The Jewish Federation sponsors the Jewish Federation of Greater Philadelphia Retirement Plan ("Plan"), a multiple-employer defined benefit pension plan, in which the Jewish Federation and several of its constituent agencies participate. The Plan is considered a Church Plan under Section 414(e) of the Internal Revenue Code and is not subject to the general requirements of a pension plan under the Employee Retirement Income Security Act of 1974. Under the pension plan arrangement, the assets of the Plan are pooled and cannot be bifurcated among participants. These funds are generally available to pay benefits for employees of any of the participating employers. Benefits under the Plan are based on the employee's years of service and compensation during the years preceding retirement.

The Jewish Federation, along with the twelve remaining agencies, has frozen its participation in the Plan and will no longer be responsible for paying annual pension expense but will be required to pay any existing unfunded liability, measured annually. As part of the freeze, no new employees are entering the plan and active participants in the plan ceased accruing additional benefits, based on the freeze date of the respective agency.

The Jewish Federation has no present intention of terminating the Plan.

The measurement dates used to determine the benefit obligations and fair value of Plan assets was August 31, 2018 and 2017.

The following table presents the changes in benefit obligations, changes in Plan assets, and the composition of accrued benefit costs in the consolidated statements of financial position as of August 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Changes in benefit obligations:		
Benefit obligations at beginning of year	\$ 41,878	\$ 43,885
Interest cost	1,444	1,397
Actuarial gain	(1,918)	(1,523)
Benefit paid	<u>(1,926)</u>	<u>(1,881)</u>
Balance at end of year	<u>\$ 39,478</u>	<u>\$ 41,878</u>
Changes in plan assets:		
Fair value of plan assets at beginning of year	\$ 21,110	\$ 20,505
Actual return on plan assets (net of expense)	1,280	1,810
Employer contributions	959	676
Benefits paid	<u>(1,926)</u>	<u>(1,881)</u>
Balance at end of year	<u>\$ 21,423</u>	<u>\$ 21,110</u>
Accrued benefit costs:		
Funded status	<u>\$ (18,055)</u>	<u>\$ (20,768)</u>

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 16 - RETIREMENT PLANS (CONTINUED)

##### Defined Benefit Pension Plan (continued)

Items not yet recognized as a component of net periodic benefit costs for the years ended August 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Prior service cost	\$ -	\$ -
Net actuarial loss	<u>8,909</u>	<u>12,292</u>
	<u>\$ 8,909</u>	<u>\$ 12,292</u>

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from changes in unrestricted net assets into net periodic benefit cost over fiscal years 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Estimated net loss	\$ 1,136	\$ 1,474
Prior service cost	<u>-</u>	<u>-</u>
	<u>\$ 1,136</u>	<u>\$ 1,474</u>

The accumulated benefit obligation for the pension plan was \$39,478 and \$41,878 as of August 31, 2018 and 2017, respectively.

The change in the pension obligation other than net periodic costs was \$2,713 and \$2,612 for the years ended August 31, 2018 and 2017, respectively, and has been recorded within other changes in net assets in the consolidated statements of activities and changes in net assets.

The components of net periodic benefit cost for the years ended August 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Service cost	\$ 78	\$ 98
Interest cost	1,444	1,397
Expected return on plan assets	(1,433)	(1,383)
Recognized actuarial loss	<u>1,540</u>	<u>1,943</u>
	<u>\$ 1,629</u>	<u>\$ 2,055</u>



# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

## Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

### NOTE 16 - RETIREMENT PLANS (CONTINUED)

#### Defined Benefit Pension Plan (continued)

Other information for the Plan for the years ended August 31, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Benefits paid, including constituent agencies	\$ 1,926	\$ 1,881
Employer contributions, including constituent agencies	\$ 959	\$ 676
<i>Weighted-average assumptions used in computing benefit obligations at end of year:</i>		
Discount rate	4.00%	3.50%
Rate of compensation increase	N/A	N/A
<i>Weighted-average assumptions used in computing net periodic pension cost:</i>		
Discount rate	3.50%	3.25%
Rate of compensation increase	N/A	N/A
Expected return on assets	7.00%	7.00%

The overall expected long-term rate of return on assets is based on the target asset allocation of Plan assets (primarily equity and fixed income mutual funds) and the expected long-term returns of each asset class.

The Jewish Federation's pension plan weighted-average asset allocation as of August 31, 2018 and 2017, by asset category, is as follows:

	<u>2018</u>	<u>2017</u>
Equity mutual funds	60%	59%
Fixed income mutual funds	38%	39%
Other - including alternative investments *	<u>2%</u>	<u>2%</u>
	<u>100%</u>	<u>100%</u>

\*Alternative investments include real estate, private equity and hedge funds.

It is the policy of the Jewish Federation to invest 50%-70% of Plan assets in equities, 30%-50% of Plan assets in fixed income, and 0%-5% of Plan assets in cash and cash equivalents. Allocations outside those parameters are generally due to either the timing of investment purchases and sales or anticipation of future distributions.

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 16 - RETIREMENT PLANS (CONTINUED)

##### *Defined Benefit Pension Plan (continued)*

Cost and fair values of the Jewish Federation's retirement plan investments were as follows as of August 31, 2018 and 2017:

	Investment Assets as of August 31, 2018				
	Cost	Fair Value			Total
		Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 304	\$ 304	\$ -	\$ -	\$ 304
Fixed income mutual funds	8,407	8,169	-	-	8,169
Equity mutual funds	9,291	12,853	-	-	12,853
State of Israel bonds	75	-	75	-	75
	18,077	\$ 21,326	\$ 75	\$ -	21,401
Alternative investments (A)	26				22
	<u>\$ 18,103</u>				<u>\$ 21,423</u>
	Investment Assets as of August 31, 2017				
	Cost	Fair Value			Total
		Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 435	\$ 435	\$ -	\$ -	\$ 435
Fixed income mutual funds	8,177	8,144	-	-	8,144
Equity mutual funds	9,319	12,425	-	-	12,425
State of Israel bonds	75	-	75	-	75
	18,006	\$ 21,004	\$ 75	\$ -	21,079
Alternative investments (A)	36				31
	<u>\$ 18,042</u>				<u>\$ 21,110</u>

(A) Investments measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The Jewish Federation attempts to mitigate investment risk by rebalancing between equity and fixed income funds as the Jewish Federation's and its constituent agencies' contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains and losses, such gains and losses would not be realized unless the investments are sold.

The Jewish Federation and its constituent agencies expect to contribute approximately \$866 to the Plan in 2019. No Plan assets are expected to be returned to the Jewish Federation and its constituent agencies during 2019.

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Notes to Consolidated Financial Statements August 31, 2018 and 2017 (in thousands)

#### NOTE 16 - RETIREMENT PLANS (CONTINUED)

##### Defined Benefit Pension Plan (continued)

The following benefit payments are expected to be paid:

<u>Year Ending August 31</u>	
2019	\$ 2,341
2020	2,394
2021	2,434
2022	2,427
2023	2,452
2024-2028	<u>12,061</u>
	<u>\$ 24,109</u>

#### NOTE 17 - COMMITMENTS

The Organization is subject to claims and litigation in the ordinary course of business and maintains insurance and (where applicable) reserves, with respect to the possible liability arising from such claims. In management's opinion, the ultimate resolution of these claims will not have a material adverse effect on the Organization's consolidated financial position and changes in net assets.

The Jewish Federation is party to a Strategic Collaboration Agreement ("SCA") involving Jack M. Barrack Hebrew Academy ("JBHA") and The Raymond and Ruth Perelman Jewish Day School ("PJDS"). The SCA provides guidance, terms and conditions, among other things, for the ceasing of operations of the PJDS Saligman Middle School effective at the end of the 2013-2014 school year and, beginning at the start of the 2013-2014 school year, for there to be a single pluralistic middle school to be operated through the continuation and expansion of the middle school currently operated by JBHA, under the name The Robert Saligman Middle School of the Jack M. Barrack Hebrew Academy. As part of the SCA, JBHA is responsible for paying PJDS certain costs. The Jewish Federation has guaranteed these costs for an amount not to exceed \$2,500. As of August 31, 2018, there has been \$2,500 distributed under the guarantee. Through the date of the consolidated financial statements, there are no further amounts guaranteed by the Jewish Federation under the SCA.

#### NOTE 18 - RELATED PARTY TRANSACTIONS

The Federation Endowments Corporation ("FEC") is a separate 501(c)(3) organization. The FEC's Board of Directors is appointed by the President of FEC with the consent of the Board Chair of the Jewish Federation. The FEC has no assets or liabilities and generates no income. Rather, the FEC secures and administers endowments for the benefit of the community and has been given limited discretion by the Jewish Federation with regard to distributions of endowment funds held by the Jewish Federation. The FEC has no ownership interest in the assets of the Jewish Federation.

The Jewish Federation is affiliated with the Foundation for Jewish Day Schools of Greater Philadelphia ("FJDS"). The FJDS is a separate 501(c)(3) organization. The Board Chair of the Jewish Federation elects the FJDS' Board of Directors; however, the consolidated financial statements exclude the accounts of FJDS, as the Jewish Federation does not have an economic interest in the FJDS. The Jewish Federation charges an administrative fee to FJDS based on revenue earned for the year. Fees charged were \$291 and \$244 for the years ended August 31, 2018 and 2017, respectively. There were no amounts due from FJDS as of August 31, 2018 or 2017.

## **JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY**

### **Notes to Consolidated Financial Statements** **August 31, 2018 and 2017** *(in thousands)*

#### **NOTE 18 - RELATED PARTY TRANSACTIONS (CONTINUED)**

During the years ended August 31, 2018 and 2017, the Jewish Federation allocated a certain amount to cover fundraising and administrative expenses of the FJDS. During the years ended August 31, 2018 and 2017, the Jewish Federation incurred \$107 and \$77, respectively, for fundraising expenses and \$82 and \$61, respectively, for administrative expenses of the FJDS.

#### **NOTE 19 - LEASE AGREEMENT**

Effective on July 1, 2008, the Jewish Federation, as landlord ("Landlord"), entered into a lease agreement with the Jack M. Barrack Hebrew Academy, as tenant ("Tenant"), for buildings and playing fields on a portion of the Jewish Federation's 35 acre Schwartz Campus in Radnor, Pennsylvania. The Tenant makes payments under the lease when it raises money under its capital campaign. Those payments are pledged to the Jewish Federation and, in turn, certain amounts are to be applied by the Jewish Federation to reduce the principal amount of the tax-exempt debt. If the Tenant is unable to make payments in accordance with the lease agreement, the Jewish Federation is nonetheless obligated to ensure that the debt service payments are made.

The lease agreement provides for a base rent, to be paid by the Tenant under the lease, which consists of three separate components: acquisition cost, interest cost, and refinancing cost. The acquisition cost component, which was \$10,000, is one-third of the purchase price paid by the Jewish Federation to purchase the Schwartz Campus property. The interest cost component consists of interest on the outstanding acquisition cost component based on the variable rate and fixed interest swap rate of the tax-exempt debt used to refinance the acquisition cost. The refinancing cost component is determined based on total refinancing costs incurred by the Jewish Federation multiplied by the Loan Balance Ratio (Loan Balance Ratio is 38% as of August 31, 2018 and 2017).

Per the terms of the lease agreement, the Tenant was required to use its best efforts to pay the total base rent by July 1, 2015. The Tenant was unsuccessful in meeting this requirement. The Tenant and Landlord continue to develop methods by which the Tenant can satisfy the base rent obligations. The balance of the acquisition cost component, interest cost component, and refinancing cost component as of August 31, 2018 was \$9,221, \$1,291 and \$4, respectively. The balance of the acquisition cost component, interest cost component, and refinancing cost component as of August 31, 2017 was \$9,221, \$1,070 and \$3, respectively. Cumulative base-rent payments totaled \$1,847 and \$1,832 through August 31, 2018 and 2017, respectively.

#### **NOTE 20 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through February 18, 2019, which is the date the consolidated financial statements were available to be issued.

**CONSOLIDATING SUPPLEMENTARY INFORMATION**

# JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

## Consolidating Statement of Financial Position

August 31, 2018

(in thousands)

<b>ASSETS</b>	<b>Jewish Federation</b>	<b>Jewish Exponent</b>	<b>Eliminations</b>	<b>Total</b>
<i>Current assets</i>				
Cash and cash equivalents	\$ 12,381	\$ 59	\$ -	\$ 12,440
Assets held under revocable trust agreements	9,182	-	-	9,182
Pledges receivable, net	5,542	-	-	5,542
Customer accounts receivable, net	819	539	-	1,358
Prepaid expenses and other current assets	1,804	545	(1,808)	541
Total current assets	29,728	1,143	(1,808)	29,063
Investment in and advances to Jewish Exponent	(2,381)	-	2,381	-
Pledges receivable, noncurrent, net	1,227	-	-	1,227
Land, buildings, and equipment, net	32,786	217	-	33,003
Assets held under charitable remainder trust agreements	2,001	-	-	2,001
Long-term investments	229,839	-	-	229,839
Nonparticipating assets	22,530	-	-	22,530
Other assets	4,258	-	-	4,258
<b>Total assets</b>	<b>\$ 319,988</b>	<b>\$ 1,360</b>	<b>\$ 573</b>	<b>\$ 321,921</b>
<b>LIABILITIES AND NET ASSETS</b>				
<i>Current liabilities</i>				
Grants payable	\$ 9,483	\$ -	\$ -	\$ 9,483
Donor-restricted liabilities	295	-	-	295
Accounts payable and accrued expenses	3,287	111	-	3,398
Line-of-credit borrowings	5,000	1,799	-	6,799
Current portion of long-term debt	200	9	-	209
Liabilities under revocable trust agreements	9,182	-	-	9,182
Current portion of liabilities under charitable remainder trust agreements	148	-	-	148
Current portion of liabilities under charitable gift annuities	471	-	-	471
Due to the Jewish Federation	-	1,688	(1,688)	-
Deferred revenue	208	120	(120)	208
Total current liabilities	28,274	3,727	(1,808)	30,193
Long-term debt, net of current portion	38,078	14	-	38,092
Long-term portion of liabilities under charitable remainder trust agreements	887	-	-	887
Long-term portion of liabilities under charitable gift annuities	3,581	-	-	3,581
Accrued pension benefit costs	18,055	-	-	18,055
Other noncurrent liabilities	192	-	-	192
<b>Total liabilities</b>	<b>89,067</b>	<b>3,741</b>	<b>(1,808)</b>	<b>91,000</b>
<i>Net assets</i>				
Unrestricted	119,336	(2,381)	2,381	119,336
Temporarily restricted	66,138	-	-	66,138
Permanently restricted	45,447	-	-	45,447
<b>Total net assets</b>	<b>230,921</b>	<b>(2,381)</b>	<b>2,381</b>	<b>230,921</b>
<b>Total liabilities and net assets</b>	<b>\$ 319,988</b>	<b>\$ 1,360</b>	<b>\$ 573</b>	<b>\$ 321,921</b>

## JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY

### Consolidating Statement of Financial Position

August 31, 2017

(In thousands)

ASSETS	Jewish Federation	Jewish Exponent	Eliminations	Total
<i>Current assets</i>				
Cash and cash equivalents	\$ 9,063	\$ 37	\$ -	\$ 9,100
Assets held under revocable trust agreements	8,227	-	-	8,227
Pledges receivable, net	4,417	-	-	4,417
Customer accounts receivable, net	1,079	178	-	1,257
Prepaid expenses and other current assets	1,403	449	(1,430)	422
Total current assets	24,189	664	(1,430)	23,423
Investment in and advances to Jewish Exponent	(2,670)	-	2,670	-
Pledges receivable, noncurrent, net	1,062	-	-	1,062
Land, buildings, and equipment, net	33,693	123	-	33,816
Assets held under charitable remainder trust agreements	2,488	-	-	2,488
Long-term investments	220,589	-	-	220,589
Nonparticipating assets	20,763	-	-	20,763
Other assets	3,892	-	-	3,892
<b>Total assets</b>	<b>\$ 304,006</b>	<b>\$ 787</b>	<b>\$ 1,240</b>	<b>\$ 306,033</b>
<b>LIABILITIES AND NET ASSETS</b>				
<i>Current liabilities</i>				
Grants payable	\$ 8,890	\$ -	\$ -	\$ 8,890
Donor-restricted liabilities	506	-	-	506
Accounts payable and accrued expenses	3,600	187	-	3,787
Line-of-credit borrowings	5,270	1,799	-	7,069
Current portion of long-term debt	200	9	-	209
Liabilities under revocable trust agreements	8,227	-	-	8,227
Current portion of liabilities under charitable remainder trust agreements	189	-	-	189
Current portion of liabilities under charitable gift annuities	341	-	-	341
Due to the Jewish Federation	-	1,430	(1,430)	-
Deferred revenue	398	9	-	407
Total current liabilities	27,621	3,434	(1,430)	29,625
Long-term debt, net of current portion	38,279	23	-	38,302
Long-term portion of liabilities under charitable remainder trust agreements	1,035	-	-	1,035
Long-term portion of liabilities under charitable gift annuities	2,484	-	-	2,484
Accrued pension benefit costs	20,768	-	-	20,768
Other noncurrent liabilities	705	-	-	705
<b>Total liabilities</b>	<b>90,892</b>	<b>3,457</b>	<b>(1,430)</b>	<b>92,919</b>
<i>Net assets</i>				
Unrestricted	106,763	(2,670)	2,670	106,763
Temporarily restricted	64,375	-	-	64,375
Permanently restricted	41,976	-	-	41,976
<b>Total net assets</b>	<b>213,114</b>	<b>(2,670)</b>	<b>2,670</b>	<b>213,114</b>
<b>Total liabilities and net assets</b>	<b>\$ 304,006</b>	<b>\$ 787</b>	<b>\$ 1,240</b>	<b>\$ 306,033</b>

**JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY**

**Consolidating Statement of Activities and Changes in Net Assets**  
**Year Ended August 31, 2018**  
*(In thousands)*

	<u>Jewish Federation</u>	<u>Jewish Exponent</u>	<u>Eliminations</u>	<u>Total</u>
<b>Public support and revenue</b>				
<i>Public support</i>				
Campaign pledges	\$ 22,960	\$ -	\$ -	\$ 22,960
Grants to campaigns from philanthropic and endowment funds	(2,397)	-	-	(2,397)
Amounts raised on behalf of others	(8)	-	-	(8)
Other contributions and bequests	16,363	-	-	16,363
Contribution income - nonparticipating assets	300	-	-	300
Total public support	<u>37,218</u>	<u>-</u>	<u>-</u>	<u>37,218</u>
<i>Revenue</i>				
Advertising revenue - <i>Jewish Exponent</i>	-	2,407	-	2,407
Subscription revenue - <i>Jewish Exponent</i>	-	405	(297)	108
Investment income	3,511	-	-	3,511
Realized and unrealized gains on investments	12,736	-	-	12,736
Change in value				
Nonparticipating assets	3,993	-	-	3,993
Charitable remainder trust agreements	168	-	-	168
Charitable gift annuities	(114)	-	-	(114)
Other income	3,711	-	-	3,711
In-kind contributions	911	-	-	911
Equity in earnings of Jewish Exponent	289	-	(289)	-
Total revenue	<u>25,205</u>	<u>2,812</u>	<u>(586)</u>	<u>27,431</u>
<b>Total public support and revenue</b>	<u>62,423</u>	<u>2,812</u>	<u>(586)</u>	<u>64,649</u>
<b>Program allocations and expenses</b>				
<i>Program allocations and expenses</i>				
Grants and allocations				
Jewish Continuity	4,191	-	-	4,191
Safety Net	4,480	-	-	4,480
Community Services	161	-	-	161
Designated campaign support				
Jewish Continuity	1,141	-	-	1,141
Safety Net	1,127	-	-	1,127
Philanthropic fund support	7,353	-	-	7,353
Direct endowment fund support	3,434	-	-	3,434
Program operations	14,994	-	-	14,994
Other program support	390	-	-	390
Total program allocations and program operations expenses	<u>37,271</u>	<u>-</u>	<u>-</u>	<u>37,271</u>
<i>Expenses</i>				
<i>Jewish Federation</i>				
Financial resource development	7,186	-	-	7,186
Supporting services, management, and general	2,849	-	-	2,849
Provision for uncollectibles	393	-	-	393
Unrelated business income tax	132	-	-	132
Total Jewish Federation expenses	<u>10,560</u>	<u>-</u>	<u>-</u>	<u>10,560</u>
Total program allocations and Jewish Federation expenses	<u>47,831</u>	<u>-</u>	<u>-</u>	<u>47,831</u>
<i>Jewish Exponent</i>				
Production	-	1,103	(297)	806
Editorial	-	397	-	397
Administration	-	400	-	400
Sales and office	-	623	-	623
Total Jewish Exponent expenses	<u>-</u>	<u>2,523</u>	<u>(297)</u>	<u>2,226</u>
Total program allocations and expenses	<u>47,831</u>	<u>2,523</u>	<u>(297)</u>	<u>50,057</u>
<b>Change in net assets from operations</b>	<u>14,592</u>	<u>289</u>	<u>(289)</u>	<u>14,592</u>
<i>Other changes in net assets</i>				
Pension-related changes other than net periodic pension costs	2,713	-	-	2,713
Change in fair value of interest rate swap agreements	502	-	-	502
Total other changes in net assets	<u>3,215</u>	<u>-</u>	<u>-</u>	<u>3,215</u>
<b>Change in net assets</b>	<u>17,807</u>	<u>289</u>	<u>(289)</u>	<u>17,807</u>
Net assets (deficiency), beginning of year	213,114	(2,670)	2,670	213,114
<b>Net assets (deficiency), end of year</b>	<u>\$ 230,921</u>	<u>\$ (2,381)</u>	<u>\$ 2,381</u>	<u>\$ 230,921</u>



**JEWISH FEDERATION OF GREATER PHILADELPHIA AND SUBSIDIARY**

**Consolidating Statement of Activities and Changes in Net Assets**  
**Year Ended August 31, 2017**  
*(In thousands)*

	<u>Jewish Federation</u>	<u>Jewish Exponent</u>	<u>Eliminations</u>	<u>Total</u>
<b>Public support and revenue</b>				
<i>Public support</i>				
Campaign pledges	\$ 22,588	\$ -	\$ -	\$ 22,588
Grants to campaigns from philanthropic and endowment funds	(2,712)	-	-	(2,712)
Amounts raised on behalf of others	(772)	-	-	(772)
Other contributions and bequests	9,363	-	-	9,363
Contribution income - nonparticipating assets	96	-	-	96
Total public support	<u>28,563</u>	<u>-</u>	<u>-</u>	<u>28,563</u>
<i>Revenue</i>				
Advertising revenue - <i>Jewish Exponent</i>	-	2,362	-	2,362
Subscription revenue - <i>Jewish Exponent</i>	-	409	(294)	115
Investment income	3,326	-	-	3,326
Realized and unrealized gains on investments	17,440	-	-	17,440
Change in value				
Nonparticipating assets	1,001	-	-	1,001
Charitable remainder trust agreements	57	-	-	57
Charitable gift annuities	124	-	-	124
Other income	3,963	-	-	3,963
In-kind contributions	848	-	-	848
Equity in earnings of Jewish Exponent	289	-	(289)	-
Total revenue	<u>27,048</u>	<u>2,771</u>	<u>(583)</u>	<u>29,236</u>
<b>Total public support and revenue</b>	<u>55,611</u>	<u>2,771</u>	<u>(583)</u>	<u>57,799</u>
<b>Program allocations and expenses</b>				
<i>Program allocations and expenses</i>				
Grants and allocations				
Jewish Continuity	4,028	-	-	4,028
Safety Net	4,591	-	-	4,591
Community Services	161	-	-	161
Designated campaign support				
Jewish Continuity	640	-	-	640
Safety Net	1,314	-	-	1,314
Philanthropic fund support	7,227	-	-	7,227
Direct endowment fund support	3,134	-	-	3,134
Program operations	12,723	-	-	12,723
Other program support	455	-	-	455
Total program allocations and program operations expenses	<u>34,273</u>	<u>-</u>	<u>-</u>	<u>34,273</u>
<i>Expenses</i>				
<i>Jewish Federation</i>				
Financial resource development	5,836	-	-	5,836
Supporting services, management, and general	2,774	-	-	2,774
Provision for uncollectibles	322	-	-	322
Unrelated business income tax	188	-	-	188
Total Jewish Federation expenses	<u>9,120</u>	<u>-</u>	<u>-</u>	<u>9,120</u>
Total program allocations and Jewish Federation expenses	<u>43,393</u>	<u>-</u>	<u>-</u>	<u>43,393</u>
<i>Jewish Exponent</i>				
Production	-	1,099	(294)	805
Editorial	-	398	-	398
Administration	-	372	-	372
Sales and office	-	613	-	613
Total Jewish Exponent expenses	<u>-</u>	<u>2,482</u>	<u>(294)</u>	<u>2,188</u>
Total program allocations and expenses	<u>43,393</u>	<u>2,482</u>	<u>(294)</u>	<u>45,581</u>
<b>Change in net assets from operations</b>	<u>12,218</u>	<u>289</u>	<u>(289)</u>	<u>12,218</u>
<i>Other changes in net assets</i>				
Pension-related changes other than net periodic pension costs	2,612	-	-	2,612
Change in fair value of interest rate swap agreements	526	-	-	526
Total other changes in net assets	<u>3,138</u>	<u>-</u>	<u>-</u>	<u>3,138</u>
<b>Change in net assets</b>	<u>15,356</u>	<u>289</u>	<u>(289)</u>	<u>15,356</u>
Net assets (deficiency), beginning of year	<u>197,758</u>	<u>(2,959)</u>	<u>2,959</u>	<u>197,758</u>
<b>Net assets (deficiency), end of year</b>	<u>\$ 213,114</u>	<u>\$ (2,670)</u>	<u>\$ 2,670</u>	<u>\$ 213,114</u>