

# **Jewish Federation of Metropolitan Chicago**

Consolidated Financial Report  
June 30, 2011 and 2010

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## Independent Auditor's Report

To the Board of Directors  
Jewish Federation of Metropolitan Chicago

We have audited the accompanying consolidated statements of financial position of the Jewish Federation of Metropolitan Chicago (Federation) as of June 30, 2011 and 2010, and the related consolidated statements of activities, departmental expenses and directly related revenue and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Federation of Metropolitan Chicago as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Chicago, Illinois  
December 15, 2011

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Financial Position  
June 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Custodian	Total All Funds 2011
<b>Assets</b>					
Cash and cash equivalents	\$ 2,457,804	\$ -	\$ -	\$ -	\$ 2,457,804
Escrow deposits	-	-	-	-	-
Bond escrow	33,793	-	-	-	33,793
Investments	521,987,661	58,985,186	30,170,249	26,197,022	637,340,118
Accrued investment income	-	-	-	116,200	116,200
Overpayments and advances of appropriations	61,182	-	-	-	61,182
Pledges and other receivables	7,674,098	12,839,629	121,811	-	20,635,538
Due from Jewish United Fund of Metropolitan Chicago	9,432,471	-	-	8,000	9,440,471
Due from JFMC Facilities Corporation	30,214,647	-	-	-	30,214,647
Loans receivable - affiliated agencies and other beneficiaries	15,391,322	104,836	-	-	15,496,158
Other assets	354,346				354,346
Beneficial interest in charitable trusts	-	-	26,622,030	-	26,622,030
Real estate, net	726,015	-	-	-	726,015
Interfund accounts	813,090	(5,871,587)	5,747,283	(688,786)	-
	<u>\$ 589,146,429</u>	<u>\$ 66,058,064</u>	<u>\$ 62,661,373</u>	<u>\$ 25,632,436</u>	<u>\$ 743,498,302</u>

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Financial Position (Continued)**

**June 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Custodian	Total All Funds 2011
<b>Liabilities and Net Assets</b>					
Liabilities					
Accounts payable and accrued expenses	\$ 5,427,235	\$ -	\$ -	\$ -	\$ 5,427,235
Distribution payable to former investor in pooled endowment portfolio	-	-	-	-	-
Escrow deposits - CJE SeniorLife Karmel Project	-	-	-	-	-
Appropriations payable	2,702,491	-	-	-	2,702,491
Due to affiliated agencies	343,729	-	-	-	343,729
Other liabilities	3,235,784	-	-	-	3,235,784
Support Foundations distributions payable	16,020,131	-	-	-	16,020,131
Interest rate swap liability	18,972,468	-	-	-	18,972,468
Bank loans payable	16,320,000	-	-	-	16,320,000
Bonds payable	10,540,000	-	-	-	10,540,000
Funds held on behalf of others	-	-	-	25,632,436	25,632,436
	<u>73,561,838</u>	<u>-</u>	<u>-</u>	<u>25,632,436</u>	<u>99,194,274</u>
Net Assets (Deficit)					
Unrestricted					
Designated by the governing board for the following:					
Donor advised funds	90,700,980	-	-	-	90,700,980
Long-term investments	429,477,626	-	-	-	429,477,626
Land, building and equipment	(4,594,015)	-	-	-	(4,594,015)
Temporarily restricted	-	66,058,064	-	-	66,058,064
Permanently restricted	-	-	62,661,373	-	62,661,373
	<u>515,584,591</u>	<u>66,058,064</u>	<u>62,661,373</u>	<u>-</u>	<u>644,304,028</u>
	<u>\$ 589,146,429</u>	<u>\$ 66,058,064</u>	<u>\$ 62,661,373</u>	<u>\$ 25,632,436</u>	<u>\$ 743,498,302</u>

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Financial Position (Continued)**  
**June 30, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Custodian	Total All Funds 2010
<b>Assets</b>					
Cash and cash equivalents	\$ 3,321,643	\$ -	\$ -	\$ -	\$ 3,321,643
Escrow deposits	1,577,480	-	-	-	1,577,480
Bond escrow	38,559	-	-	-	38,559
Investments	456,834,591	50,727,431	29,524,918	26,976,688	564,063,628
Accrued investment income	-	-	-	119,800	119,800
Overpayments and advances of appropriations	82,122	-	-	-	82,122
Pledges and other receivables	6,967,467	14,552,320	168,668	-	21,688,455
Due from Jewish United Fund of Metropolitan Chicago	14,215,931	-	-	8,000	14,223,931
Due from JFMC Facilities Corporation	29,726,728	-	-	-	29,726,728
Loans receivable - affiliated agencies and other beneficiaries	15,813,931	104,836	-	-	15,918,767
Other assets	352,513	-	-	-	352,513
Beneficial interest in charitable trusts	-	-	22,955,800	-	22,955,800
Real estate, net	727,537	-	-	-	727,537
Interfund accounts	(1,805,776)	(3,628,593)	6,342,413	(908,044)	-
	<u>\$ 527,852,726</u>	<u>\$ 61,755,994</u>	<u>\$ 58,991,799</u>	<u>\$ 26,196,444</u>	<u>\$ 674,796,963</u>

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Financial Position (Continued)**

**June 30, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Custodian	Total All Funds 2010
<b>Liabilities and Net Assets</b>					
Liabilities					
Accounts payable and accrued expenses	\$ 6,249,667	\$ -	\$ -	\$ -	\$ 6,249,667
Distribution payable to former investor in pooled endowment portfolio	6,767,032	-	-	-	6,767,032
Escrow deposits - CJE SeniorLife Karmel Project	1,577,480	-	-	-	1,577,480
Appropriations payable	3,705,054	-	-	-	3,705,054
Due to affiliated agencies	90,190	-	-	-	90,190
Other liabilities	2,904,118	-	-	-	2,904,118
Support Foundations distributions payable	12,844,947	-	-	-	12,844,947
Interest rate swap liability	22,960,903	-	-	-	22,960,903
Bank loans payable	17,684,942	-	-	-	17,684,942
Bonds payable	10,925,000	-	-	-	10,925,000
Funds held on behalf of others	-	-	-	26,196,444	26,196,444
	<u>85,709,333</u>	<u>-</u>	<u>-</u>	<u>26,196,444</u>	<u>111,905,777</u>
Net Assets (Deficit)					
Unrestricted					
Designated by the governing board for the following:					
Donor advised funds	85,007,659	-	-	-	85,007,659
Long-term investments	361,764,359	-	-	-	361,764,359
Land, building and equipment	(4,628,625)	-	-	-	(4,628,625)
Temporarily restricted	-	61,755,994	-	-	61,755,994
Permanently restricted	-	-	58,991,799	-	58,991,799
	<u>442,143,393</u>	<u>61,755,994</u>	<u>58,991,799</u>	<u>-</u>	<u>562,891,186</u>
	<u>\$ 527,852,726</u>	<u>\$ 61,755,994</u>	<u>\$ 58,991,799</u>	<u>\$ 26,196,444</u>	<u>\$ 674,796,963</u>

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Activities  
Year Ended June 30, 2011**

	Unrestricted						Total All Funds 2011
	Undesignated	Donor Advised Funds	Designated Long-Term Investments	Land, Building and Equipment	Temporarily Restricted	Permanently Restricted	
<b>Revenue</b>							
Public support							
Direct public support							
Contributions (inclusive of distributions from certain restricted and donor advised funds)	\$ 3,304,420	\$ -	\$ 19,495,523	\$ -	\$ 3,203,600	\$ 3,343	\$ 26,006,886
Contributions designated for donor advised funds	-	23,256,602	-	-	-	-	23,256,602
Distributions from beneficial interest in charitable trusts to support operations	721,937	-	-	-	-	-	721,937
Total received directly	4,026,357	23,256,602	19,495,523	-	3,203,600	3,343	49,985,425
Indirect public support							
Allocations by federated fund-raising organizations							
Jewish United Fund of Metropolitan Chicago	32,021,047	-	-	-	-	-	32,021,047
United Way (includes Chicago and Suburban)	1,275,357	-	-	-	-	-	1,275,357
Total received indirectly	33,296,404	-	-	-	-	-	33,296,404
Total public support	37,322,761	23,256,602	19,495,523	-	3,203,600	3,343	83,281,829
Grants from government agencies and other organizations	1,771,850	-	-	-	-	-	1,771,850
Sundry revenue, directly related to departmental activities							
Refugee and Immigrant Social Service Program income	6,384,235	-	-	-	-	-	6,384,235
Miscellaneous revenue	2,372,768	-	-	-	-	-	2,372,768
Total directly related revenue	8,757,003	-	-	-	-	-	8,757,003
Other revenue							
Investment income (net of related fees and interest expense of approximately \$2,170,000)	115,388	677,607	2,551,491	-	(165,764)	-	3,178,722
Gain on investment activity (net)	-	8,164,149	75,978,462	-	8,940,370	3,666,231	96,749,212
Change in unrealized gain (loss) on fair value of swap arrangements	-	-	3,988,435	-	-	-	3,988,435
	115,388	8,841,756	82,518,388	-	8,774,606	3,666,231	103,916,369
Transfer of net assets released from restrictions							
Satisfaction of restrictions	4,961,171	1,000	1,419,095	-	(6,381,266)	-	-
Total revenue	\$ 52,928,173	\$ 32,099,358	\$ 103,433,006	\$ -	\$ 5,596,940	\$ 3,669,574	\$ 197,727,051

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Activities (Continued)  
Year Ended June 30, 2011**

	Unrestricted						Total All Funds 2011
	Undesignated	Donor Advised Funds	Designated Long - Term Investments	Land, Building and Equipment	Temporarily Restricted	Permanently Restricted	
<b>Expenses</b>							
Appropriations and distributions							
Appropriations	\$ 38,172,747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,172,747
Distributions	4,961,171	23,622,945	31,229,939	-	-	-	59,814,055
Grants	5,242,114	-	-	-	-	-	5,242,114
<b>Total appropriations, distributions and grants</b>	<b>48,376,032</b>	<b>23,622,945</b>	<b>31,229,939</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,228,916</b>
Departmental expenses							
Administrative	3,207,101	-	256,296	-	-	-	3,463,397
Service	738,576	-	-	-	-	-	738,576
Program	1,010,483	-	-	-	-	-	1,010,483
Communications	348,614	-	-	-	-	-	348,614
Refugee and Immigrant Social Service Program	6,384,233	-	-	-	-	-	6,384,233
<b>Total departmental expenses</b>	<b>11,689,007</b>	<b>-</b>	<b>256,296</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,945,303</b>
Bad debt expense	-	-	-	-	1,174,600	-	1,174,600
Depreciation	-	-	-	1,522	-	-	1,522
	-	-	-	1,522	1,174,600	-	1,176,122
<b>Total expenses</b>	<b>60,065,039</b>	<b>23,622,945</b>	<b>31,486,235</b>	<b>1,522</b>	<b>1,174,600</b>	<b>-</b>	<b>116,350,341</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(7,136,866)</b>	<b>8,476,413</b>	<b>71,946,771</b>	<b>(1,522)</b>	<b>4,422,340</b>	<b>3,669,574</b>	<b>81,376,710</b>
Other changes in net assets							
Transfer by donor agreement	-	-	-	-	-	-	-
Transfer to fund deferred compensation	83,803	-	(83,803)	-	-	-	-
Transfer between funds	(225,000)	(2,783,092)	2,741,962	-	266,130	-	-
Transfer from endowment funds to support operations	7,278,063	-	(6,891,663)	-	(386,400)	-	-
Other	-	-	-	36,132	-	-	36,132
<b>Increase in net assets</b>	<b>-</b>	<b>5,693,321</b>	<b>67,713,267</b>	<b>34,610</b>	<b>4,302,070</b>	<b>3,669,574</b>	<b>81,412,842</b>
Net assets (deficit):							
Beginning of fiscal year	-	85,007,659	361,764,359	(4,628,625)	61,755,994	58,991,799	562,891,186
End of fiscal year	\$ -	\$ 90,700,980	\$ 429,477,626	\$ (4,594,015)	\$ 66,058,064	\$ 62,661,373	\$ 644,304,028

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Activities (Continued)  
Year Ended June 30, 2010**

	Unrestricted				Temporarily Restricted	Permanently Restricted	Total All Funds 2010
	Undesignated	Donor Advised Funds	Designated Long-Term Investments	Land, Building and Equipment			
Revenue							
Public support							
Direct public support							
Contributions (inclusive of distributions from certain restricted and donor advised funds)	\$ 1,580,900	\$ -	\$ 21,259,444	\$ -	\$ 3,354,358	\$ 797,620	\$ 26,992,322
Contributions designated for donor advised funds	-	14,038,498	-	-	-	-	14,038,498
Distributions from beneficial interest in charitable trusts to support operations	742,583	-	-	-	-	-	742,583
Total received directly	2,323,483	14,038,498	21,259,444	-	3,354,358	797,620	41,773,403
Indirect public support							
Allocations by federated fund-raising organizations							
Jewish United Fund of Metropolitan Chicago	30,140,876	-	-	-	-	-	30,140,876
United Way (includes Chicago and Suburban)	1,280,752	-	-	-	-	-	1,280,752
Total received indirectly	31,421,628	-	-	-	-	-	31,421,628
Total public support	33,745,111	14,038,498	21,259,444	-	3,354,358	797,620	73,195,031
Grants from government agencies and other organizations	938,771	-	-	-	-	-	938,771
Sundry revenue, directly related to departmental activities							
Refugee and Immigrant Social Service Program income	6,328,662	-	-	-	-	-	6,328,662
Miscellaneous revenue	2,035,237	-	-	-	-	-	2,035,237
Total directly related revenue	8,363,899	-	-	-	-	-	8,363,899
Other revenue							
Investment income (net of related fees and interest expense of approximately \$980,000)	214,782	737,443	3,958,799	-	291,525	-	5,202,549
Gain on investment activity (net)	-	4,729,848	34,538,719	-	5,354,593	251,129	44,874,289
Change in unrealized gain (loss) on fair value of swap arrangements	-	-	(4,793,332)	-	-	-	(4,793,332)
Total other revenue	214,782	5,467,291	33,704,186	-	5,646,118	251,129	45,283,506
Transfer of net assets released from restrictions							
Satisfaction of restrictions	4,419,594	194,158	2,447,627	-	(7,061,379)	-	-
Total revenue	\$ 47,682,157	\$ 19,699,947	\$ 57,411,257	\$ -	\$ 1,939,097	\$ 1,048,749	\$ 127,781,207

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Activities (Continued)  
Year Ended June 30, 2010**

	Unrestricted						Total All Funds 2010
	Undesignated	Donor Advised Funds	Long-Term Investments	Land, Building and Equipment	Temporarily Restricted	Permanently Restricted	
<b>Expenses</b>							
Appropriations and distributions							
Appropriations	\$ 39,249,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,249,344
Distributions	4,419,594	26,910,259	28,593,618	-	-	-	59,923,471
Grants	3,121,317	-	-	-	-	-	3,121,317
Total appropriations, distributions and grants	<u>46,790,255</u>	<u>26,910,259</u>	<u>28,593,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,294,132</u>
Departmental expenses							
Administrative	3,135,551	-	132,570	-	-	-	3,268,121
Service	692,118	-	-	-	-	-	692,118
Program	1,048,451	-	-	-	-	-	1,048,451
Communications	355,682	-	-	-	-	-	355,682
Refugee and Immigrant Social Service Program	6,328,662	-	-	-	-	-	6,328,662
Total departmental expenses	<u>11,560,464</u>	<u>-</u>	<u>132,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,693,034</u>
Bad debt expense	-	-	-	-	439,142	-	439,142
Depreciation	-	-	-	1,522	-	-	1,522
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,522</u>	<u>439,142</u>	<u>-</u>	<u>440,664</u>
<b>Total expenses</b>	<u>58,350,719</u>	<u>26,910,259</u>	<u>28,726,188</u>	<u>1,522</u>	<u>439,142</u>	<u>-</u>	<u>114,427,830</u>
<b>Excess (deficiency) of revenue over expenses</b>	(10,668,562)	(7,210,312)	28,685,069	(1,522)	1,499,955	1,048,749	13,353,377
<b>Other changes in net assets</b>							
Transfer by donor agreement	-	(11,247,043)	10,161,991	-	1,085,052	-	-
Transfer to fund deferred compensation	91,941	-	(91,941)	-	-	-	-
Transfer between funds	-	-	-	-	-	-	-
Transfer from endowment funds to support operations	10,576,621	-	(10,141,101)	-	(435,520)	-	-
Other	-	-	-	-	-	-	-
<b>Increase (decrease) in net assets</b>	<u>-</u>	<u>(18,457,355)</u>	<u>28,614,018</u>	<u>(1,522)</u>	<u>2,149,487</u>	<u>1,048,749</u>	<u>13,353,377</u>
<b>Net assets (deficit):</b>							
Beginning of fiscal year	-	103,465,014	333,150,341	(4,627,103)	59,606,507	57,943,050	549,537,809
End of fiscal year	<u>\$ -</u>	<u>\$ 85,007,659</u>	<u>\$ 361,764,359</u>	<u>\$ (4,628,625)</u>	<u>\$ 61,755,994</u>	<u>\$ 58,991,799</u>	<u>\$ 562,891,186</u>

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Departmental Expenses and Directly Related Revenue  
Year Ended June 30, 2011**

	Departments						Refugee and Immigrant Social Service Program	Total All Funds 2011
	Administrative*	Service	Program	Communications	Total			
Departmental expenses								
Salaries	\$ 2,031,240	\$ 358,665	\$ 566,258	\$ 211,315	\$ 3,167,478	\$ 227,606	\$ 3,395,084	
Employee health and retirement benefits	104,153	49,669	61,973	9,377	225,172	35,178	260,350	
Payroll taxes	69,436	33,112	41,316	6,252	150,116	23,452	173,568	
	<u>2,204,829</u>	<u>441,446</u>	<u>669,547</u>	<u>226,944</u>	<u>3,542,766</u>	<u>286,236</u>	<u>3,829,002</u>	
Grants	-	-	-	-	-	5,850,143	5,850,143	
Professional fees	238,541	-	49,918	12,462	300,921	162,770	463,691	
Occupancy	189,847	38,976	116,015	29,170	374,008	64,990	438,998	
Telephone	30,857	195,812	8,340	5,550	240,559	5,813	246,372	
Insurance	101,592	-	-	-	101,592	-	101,592	
Conferences, conventions, meetings and major trips	100,612	245	23,621	1,046	125,524	2,499	128,023	
Information technology	211,246	42,918	9,238	4,196	267,598	3,955	271,553	
Outside printing and design	18,641	4,701	5,241	43,638	72,221	1,758	73,979	
Supplies	5,819	4,906	92,389	272	103,386	3,335	106,721	
Local transportation	18,966	2,575	11,329	2,527	35,397	1,707	37,104	
Postage and shipping	11,072	6,931	8,820	22,130	48,953	976	49,929	
Membership dues	4,271	-	376	68	4,715	-	4,715	
Subscriptions and reference publications	1,163	-	109	446	1,718	-	1,718	
Miscellaneous	69,645	66	15,540	165	85,416	51	85,467	
<b>Total departmental expenses</b>	<b>\$ 3,207,101</b>	<b>\$ 738,576</b>	<b>\$ 1,010,483</b>	<b>\$ 348,614</b>	<b>\$ 5,304,774</b>	<b>\$ 6,384,233</b>	<b>\$ 11,689,007</b>	
Directly related revenue								
Refugee and Immigrant Social Service Program income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,384,235	\$ 6,384,235	
Miscellaneous revenue	581,183	702,614	908,145	180,826	2,372,768	-	2,372,768	
	<u>\$ 581,183</u>	<u>\$ 702,614</u>	<u>\$ 908,145</u>	<u>\$ 180,826</u>	<u>\$ 2,372,768</u>	<u>\$ 6,384,235</u>	<u>\$ 8,757,003</u>	

\*Administrative expenses for the Support Foundations in the amount of \$256,296, reflected as an expense of designated long-term investments, are not included in the above schedule.

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Departmental Expenses and Directly Related Revenue (Continued)**  
**Year Ended June 30, 2010**

	Departments					Refugee and Immigrant Social Service Program	Total All Funds 2010
	Administrative*	Service	Program	Communications	Total		
Departmental expenses							
Salaries	\$ 1,847,243	\$ 331,599	\$ 580,974	\$ 216,679	\$ 2,976,495	\$ 232,542	\$ 3,209,037
Employee health and retirement benefits	143,325	46,667	57,411	7,883	255,286	36,831	292,117
Payroll taxes	95,550	31,112	38,274	5,255	170,191	24,554	194,745
	<u>2,086,118</u>	<u>409,378</u>	<u>676,659</u>	<u>229,817</u>	<u>3,401,972</u>	<u>293,927</u>	<u>3,695,899</u>
Grants	-	-	-	-	-	5,822,800	5,822,800
Professional fees	319,085	-	54,846	10,853	384,784	120,741	505,525
Occupancy	185,198	37,061	111,090	28,182	361,531	61,897	423,428
Telephone	28,698	186,869	7,770	4,981	228,318	5,938	234,256
Insurance	99,242	-	-	-	99,242	-	99,242
Conferences, conventions, meetings and major trips	86,946	162	21,124	836	109,068	8,565	117,633
Information technology	186,151	46,558	12,552	6,441	251,702	2,601	254,303
Outside printing and design	10,722	4,594	3,417	50,638	69,371	646	70,017
Supplies	14,979	4,066	119,265	-	138,310	5,035	143,345
Local transportation	24,202	2,459	10,500	2,367	39,528	3,840	43,368
Postage and shipping	9,747	944	7,987	20,446	39,124	655	39,779
Membership dues	4,446	-	864	263	5,573	-	5,573
Subscriptions and reference publications	1,202	-	125	398	1,725	-	1,725
Miscellaneous	78,815	27	22,252	460	101,554	2,017	103,571
<b>Total departmental expenses</b>	<u>\$ 3,135,551</u>	<u>\$ 692,118</u>	<u>\$ 1,048,451</u>	<u>\$ 355,682</u>	<u>\$ 5,231,802</u>	<u>\$ 6,328,662</u>	<u>\$ 11,560,464</u>
Directly related revenue							
Refugee and Immigrant Social Service Program income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,328,662	\$ 6,328,662
Miscellaneous revenue	517,993	604,716	710,666	201,862	2,035,237	-	2,035,237
	<u>\$ 517,993</u>	<u>\$ 604,716</u>	<u>\$ 710,666</u>	<u>\$ 201,862</u>	<u>\$ 2,035,237</u>	<u>\$ 6,328,662</u>	<u>\$ 8,363,899</u>

\*Administrative expenses for the Support Foundations in the amount of \$132,570, reflected as an expense of designated long-term investments, are not included in the above schedule.

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2011 and 2010**

	2011	2010
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 81,412,842	\$ 13,353,377
Depreciation	1,522	1,522
Net realized (gain) loss on investments	(23,680,445)	1,868,710
Net change in unrealized gain on investments	(69,402,536)	(46,742,999)
Change in unrealized (gain) loss on fair value of swap arrangements	(3,988,435)	4,793,332
Increase in beneficial interest in charitable trusts	(3,666,231)	(251,129)
Permanently restricted contributions	(3,343)	(797,620)
Changes in:		
Accrued investment income	3,600	108,770
Overpayments and advances of appropriations	20,940	390,842
Pledges and other receivables	1,052,917	3,381,796
Due from Jewish United Fund and affiliated agencies, net	4,549,080	(4,237,940)
Other assets	(1,833)	(26,152)
Accounts payable, accrued expenses and other liabilities	(490,766)	(478,958)
Appropriations payable	(1,002,563)	(71,919)
Distributions payable - Support Foundations	3,175,184	(34,094)
Funds held on behalf of others	(564,008)	(1,018,497)
<b>Net cash used in operating activities</b>	<b>(12,584,075)</b>	<b>(29,760,959)</b>
<b>Cash Flows from Investing Activities</b>		
Decrease in bond escrow	4,766	10,370
Net sales of investments	19,806,492	19,155,337
Decrease in loans receivable from affiliated agencies and other beneficiaries	422,609	272,985
Distribution (paid) payable to investor in pooled endowment portfolio	(6,767,032)	6,767,032
<b>Net cash provided by investing activities</b>	<b>13,466,835</b>	<b>26,205,724</b>
<b>Cash Flows from Financing Activities</b>		
Permanently restricted contributions	3,343	797,620
Proceeds from bank loans payable	2,220,000	1,100,000
Payments on bank loans payable	(3,584,942)	(3,376,528)
Payments on bonds payable	(385,000)	(700,000)
<b>Net cash used in financing activities</b>	<b>(1,746,599)</b>	<b>(2,178,908)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(863,839)</b>	<b>(5,734,143)</b>
<b>Cash and cash equivalents:</b>		
Beginning of year	3,321,643	9,055,786
End of year	<b>\$ 2,457,804</b>	<b>\$ 3,321,643</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Interest paid	<b>\$ 365,834</b>	<b>\$ 718,250</b>

See Notes to Consolidated Financial Statements.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Summary of Significant Accounting Policies

The Jewish Federation of Metropolitan Chicago (Federation) is a nonprofit social service organization that makes appropriations to its affiliated agencies (pursuant to certain "Principles of Affiliation Agreements") and other beneficiaries, which are primarily engaged in charitable, educational, social welfare and health activities.

The major source of funds for current operations of the Federation is provided by the Jewish United Fund of Metropolitan Chicago (Jewish United Fund), which conducts fundraising activities by means of annual calendar year campaigns and makes allocations to beneficiaries (primarily the Federation and the Jewish Federations of North America (formerly United Jewish Communities)). For the fiscal years ended June 30, 2011 and 2010, the Federation received allocations of \$32,021,047 and \$30,140,876, respectively, from the 2011 and 2010 Jewish United Fund campaigns.

A summary of significant accounting policies followed by the Federation is as follows:

**General:** The accompanying consolidated financial statements have been prepared on the accrual basis of accounting (except that legacies and bequests, the amounts of which are not currently determinable, are recorded as received on the cash basis of accounting) and in conformity with accounting principles applicable to nonprofit organizations.

**Principles of consolidation:** In accordance with the accounting guidance on reporting of related entities by not-for-profit organizations, the Federation's financial statements consolidate the activities of its Support Foundations. Support Foundations are separate, nonprofit corporations which are funded by the donor to support the broad charitable purpose of the Federation. The Federation has both control of the board of directors and an economic interest in certain of the Support Foundations and, accordingly, these certain Support Foundations have been consolidated into the Federation's financial statements. All inter-organizational balances and transactions have been eliminated in consolidation.

Certain other support foundations have not been consolidated because management has determined that they do not meet the criteria for consolidation.

The accounting guidance on financial statements of not-for-profit organizations establishes standards for general-purpose external financial statements issued by nonprofit organizations. It requires that net assets and related revenue, expenses, gains and losses be classified into three classes of net assets - unrestricted, temporarily restricted and permanently restricted, based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

**Unrestricted net assets:** Net assets that are not subject to donor-imposed restrictions including the carrying value of all physical properties (land, buildings and equipment). Items that affect (i.e., increase or decrease) this net asset category include amounts received from government agencies, program service fees and all expenses associated with the core activities of the organization. In addition to these activities, changes in this category of net assets include the activities of certain types of board designated funds, support foundations and philanthropic support. Also included in this category are unrestricted contributions, indirect public support, investment income (inclusive of gains and losses on investment activity) and restricted contributions whose donor-imposed restrictions were met during the fiscal period.

**Temporarily restricted net assets:** Net assets subject to donor-imposed restrictions that will be met either by actions of the Federation or the passage of time. Items that affect this net asset category are restricted contributions and grants. These amounts are reclassified to unrestricted net assets when such restrictions are met or have expired.

**Permanently restricted net assets:** Net assets restricted by donors to be invested in perpetuity are reflected as permanently restricted assets. Investment income, including realized and unrealized gains on such assets, is recorded directly in temporarily restricted income until appropriated for expenditure unless specifically restricted by the donor.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

**Contributions:** Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions also include legacies and bequests.

**Cash and cash equivalents:** Cash equivalents are defined as all highly liquid investments purchased with an original maturity of three months or less. The cash balance exceeds federally insured limits. However, the Federation has not experienced any losses in such accounts and management does not believe that it is exposed to any significant credit risk.

**Investments:** Investments in equity securities with readily determinable fair values and all debt securities are carried at fair value. Alternative investments and investments in other investment vehicles are valued at fair value based on the applicable percentage ownership of the investment funds' net assets as of year-end, as determined by the Federation.

Certain alternative investments and investments in other investment vehicles have been valued as of March 31, 2011 and 2010 and then adjusted for any purchases and withdrawals made between April 1 and June 30 because June 30 balances were not readily available from fund managers and general partners. The Federation prepares investment statements for the pooled endowment portfolio approximately 45 days after the end of each quarter. These statements are then sent to affiliates and other outside organizations invested in the pooled endowment portfolio. The March 31 value is used for fund managers and general partners that do not provide their June 30 statements within this timeframe.

The difference between the aggregate fair values of investments as of the end of the year and their fair values at the beginning of the year for investments still owned (or the cost, for acquisitions during the year) and the net gain or losses on dispositions of investments are reflected as net gain or loss on investment activity.

**Pledges and other receivables:** Pledges receivable are recorded when received. The allowance for doubtful pledges is based on management's estimate of the collectability of identified receivables (see Note 5).

Other receivables primarily consist of government grants receivable and other miscellaneous trade receivables which are expected to be collected in fiscal year 2012. Based on historical experience and an analysis of specific accounts, management has determined that no allowance for doubtful accounts is necessary for other receivables.

**Beneficial interest in charitable trusts:** The Federation has recorded as an asset its beneficial interest in several irrevocable charitable trusts. The asset is recorded in an amount equivalent to the Federation's proportional interest in the fair value of the charitable trusts' assets, which consist of investments in various securities. The Federation adjusts its beneficial interests for any changes in the respective charitable trust's assets. Distributions received from the charitable trusts are recorded as unrestricted operating revenue.

**JFMC Facilities Corporation (Facilities):** Due from Facilities (a special purpose entity) consists primarily of amounts relating to bond financing and advances for renovations of property owned by Facilities but used by the Federation's affiliated agencies. In addition, the Federation occupies office space owned by Facilities at 30 S. Wells in Chicago, Illinois. Occupancy expense for the years ended June 30, 2011 and 2010 was \$438,998 and \$423,428, respectively.

**Donor advised funds:** These funds, which are unrestricted net assets of the Federation, are donor advised funds of a public charity where the donor retains the right to recommend how the income and/or principal shall be used to fulfill the charitable purposes of the Federation/Jewish United Fund, or other approved philanthropic organizations.

**Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Due to affiliated agencies:** This liability consists of cash received from affiliated agencies for investment in Federation's pooled endowment portfolio on July 1.

**Charitable gift annuity and charitable remainder trust obligations:** The Federation has entered into various charitable gift annuities and charitable remainder trust agreements with its donors. The Federation is obligated to make payments to the annuitants and trust recipients for the remainder of their lives. The contributed funds for charitable gift annuities and charitable remainder trusts are recorded on the date the agreement or trust is recognized. Liabilities for the charitable gift annuities and charitable remainder trusts are recorded equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables.

Assets and liabilities of the charitable gift annuities are recorded at fair value in the custodian fund (see Note 20). Assets received for the charitable remainder trusts are recorded at fair value in the temporarily restricted fund until the Federation's obligations to the annuitants have been met. The difference between the fair value of assets contributed and obligations recorded is recognized as contribution revenue. The various deferred gift obligations have imputed interest rates between 5 percent and 12 percent.

**Donated services:** No amounts have been reflected herein for donated services because they do not meet the defined requirements for inclusion in the financial statements.

**Refugee and Immigrant Social Service Program:** The Federation administers state funds allocated for specified services to refugees and immigrants on behalf of the Illinois Department of Healthcare and Family Services. Funds received and distributions made to participating agencies under these programs are accounted for in the unrestricted fund. All costs incurred by the Federation in connection with administering the programs, and reimbursements for such costs from the state agency, are reflected as departmental expenses and sundry revenue on the statements of activities.

**Fair value of financial instruments:** The fair value of the Federation's other assets and liabilities that qualify as financial instruments under the accounting guidance on measuring fair value of financial instruments approximates the carrying amounts presented in the statements of financial position due to the short term maturity of these investments. The carrying amounts reflected in the statements of financial position for loans and pledges receivable and bank loans and bonds payable approximate their respective fair values because discount and interest rates applied are consistent with current market rates. Management has estimated the fair values by discounting expected cash flows using interest rates that management believes are approximately equal to the interest rates currently available for similar financing arrangements.

**Distribution payable to former investor:** Distribution payable to former investor represented an unpaid withdrawal from the pooled endowment portfolio. Pursuant to a request to withdraw funds, Federation liquidated and paid approximately 75 percent of the account balance to the outside investor. The remaining 25 percent of the invested balance was purchased by Federation at a price equal to the fair value reported on the October 1, 2009 quarterly statement. In accordance with an agreement with the former investor, Federation agreed to pay the purchase price, plus interest at 1 percent. The former investor was paid in full during fiscal 2011.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

**Derivative financial instruments:** Interest rate swap arrangements are recognized as either an asset or liability at fair value in the statements of financial position, with changes in fair value reported as net unrealized losses or gains in other revenue on the statements of activities.

**Income taxes:** The Federation, an Illinois nonprofit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. However, income from certain activities not directly related to the Federation's tax-exempt purposes, such as unrelated business income allocated from investment partnerships, is subject to taxation. The Federation paid no income taxes on unrelated business income in 2011 and 2010.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Federation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Federation, the continued tax-exempt status of bonds issued by the Federation, and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. At June 30, 2011 and 2010, there were no unrecognized tax benefits identified or recorded as liabilities.

The Federation files forms 990 and 990-T in the U.S. federal jurisdiction and the State of Illinois. With few exceptions, the Federation is generally no longer subject to examination by the Internal Revenue Service for years before 2008.

**Reclassifications:** Certain items for fiscal year 2010 have been reclassified to conform to fiscal year 2011 classifications with no effect on net asset classifications or changes in net assets.

**Management estimates:** In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Recent accounting pronouncements:** In September 2011, the FASB issued guidance about an employer's participation in a multiemployer plan which addresses concerns about the lack of transparency in an employer's financial statements about its participation in a multiemployer pension plan. The guidance requires employers to provide additional separate disclosures about their participation in multiemployer pension plans and multiemployer benefit plans. The amendments do not change the current recognition and measurement guidance for an employer's participation in a multiemployer plan, which requires that an employer recognize as pension or other postretirement benefit cost its required contribution to the plan for the period and recognize a liability for any unpaid contribution. Also, the amendments do not change the requirement that an employer apply the provisions for contingencies in FASB guidance on contingencies, if an obligation due to withdrawal from a multiemployer plan is either probably or reasonably possible.

For nonpublic entities such as the Federation, the enhanced disclosures are required in fiscal years ending after December 15, 2012. Early adoption is permitted. The amendments should be applied retrospectively for all prior periods presented.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 2. Support Foundations

At June 30, 2011 and 2010, there were 42 and 44 Support Foundations consolidated within the Federation's financial statements, respectively. The Support Foundation assets are classified as unrestricted and their revenue and expense are reported in the "long-term investments" column on the statements of activities. The following table presents the activity of these Support Foundations.

	2011	2010
Assets		
Investments	\$ 250,200,670	\$ 208,488,111
Other assets	13,873	13,873
	<u>\$ 250,214,543</u>	<u>\$ 208,501,984</u>
Liabilities		
Distributions payable	\$ 16,020,131	\$ 12,844,947
Accrued expenses	158,207	-
	<u>16,178,338</u>	<u>12,844,947</u>
Net assets	234,036,205	195,657,037
	<u>\$ 250,214,543</u>	<u>\$ 208,501,984</u>
Revenue		
Contributions	\$ 13,067,049	\$ 10,105,820
Investment income	3,140,939	2,983,708
Gain on investment activity, net	43,566,733	17,288,680
Other income	1,002,353	724,773
	<u>60,777,074</u>	<u>31,102,981</u>
Expenses		
Grants	21,938,035	16,889,209
Other expenses	459,871	240,170
	<u>22,397,906</u>	<u>17,129,379</u>
Increase in net assets	<u>\$ 38,379,168</u>	<u>\$ 13,973,602</u>

#### Note 3. Appropriations

Appropriations made to the Federation's affiliated agencies and other beneficiaries for the fiscal years ended June 30, 2011 and 2010 were as follows:

	2011	2010
Regular appropriations	\$ 31,885,772	\$ 33,080,834
Special appropriations	6,286,975	6,168,510
	<u>\$ 38,172,747</u>	<u>\$ 39,249,344</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 3. Appropriations (Continued)

The following table presents changes in the appropriations overpayments and advances and liability accounts for the fiscal years ended June 30, 2011 and 2010.

	Appropriations		Total
	Regular	Special	
Balance, July 1, 2009			
Overpayments and advances	\$ (470,964)	\$ (2,000)	\$ (472,964)
Liability	182,277	3,594,696	3,776,973
	<u>(288,687)</u>	<u>3,592,696</u>	<u>3,304,009</u>
Changes during fiscal year 2010			
Appropriations			
Affiliated agencies	25,206,569	-	25,206,569
Others	7,874,265	6,168,510	14,042,775
	<u>33,080,834</u>	<u>6,168,510</u>	<u>39,249,344</u>
Payments and reservations (net)	32,744,940	6,185,481	38,930,421
Net changes	<u>335,894</u>	<u>(16,971)</u>	<u>318,923</u>
Balance, June 30, 2010			
Overpayments and advances	(80,122)	(2,000)	(82,122)
Liability	127,329	3,577,725	3,705,054
	<u>47,207</u>	<u>3,575,725</u>	<u>3,622,932</u>
Changes during fiscal year 2011			
Appropriations			
Affiliated agencies	24,264,810	-	24,264,810
Others	7,620,962	6,286,975	13,907,937
	<u>31,885,772</u>	<u>6,286,975</u>	<u>38,172,747</u>
Payments and reservations (net)	31,878,308	7,276,062	39,154,370
Net changes	<u>7,464</u>	<u>(989,087)</u>	<u>(981,623)</u>
Balance, June 30, 2011			
Overpayments and advances	(53,894)	(7,288)	(61,182)
Liability	108,565	2,593,926	2,702,491
	<u>\$ 54,671</u>	<u>\$ 2,586,638</u>	<u>\$ 2,641,309</u>

In accordance with the Principles of Affiliation Agreements between the Federation and its affiliated agencies, the affiliated agencies may not negotiate any merger or material transfer of their assets without approval of the Federation and, in the event of any liquidation, dissolution or winding up of the affairs of an affiliated agency, the net proceeds, after payment of all debts, are to be distributed to the Federation.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 4. Departmental Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Pursuant to an arrangement between the Jewish United Fund and the Federation (which operate from common premises and in many instances utilize the same personnel), the Jewish United Fund makes expenditures for all "common expenses" and charges the Federation for its respective share thereof. Such "common expenses" are allocated among the two organizations based, in part, on specific agency identification of certain expenses and, in part, by allocating other expenses on previously determined ratios.

For the fiscal years ended June 30, 2011 and 2010, the Jewish United Fund has charged the Federation with the net amounts of \$2,932,006 and \$3,196,565, respectively, for such expenses (as reduced by directly related revenue), as follows:

	2011	2010
Departmental expenses (exclusive of Refugee and Immigrant Social Services Program revenue and expense)	\$ 5,304,774	\$ 5,231,802
Directly related revenue	(2,372,768)	(2,035,237)
Net charges	<u>\$ 2,932,006</u>	<u>\$ 3,196,565</u>

In addition to the above, departmental expenses include \$256,296 and \$132,570 of administrative expenses incurred by the Support Foundations, reflected as an expense of designated long-term investments, for the years ended June 30, 2011 and 2010, respectively.

#### Note 5. Pledges Receivable

Temporarily restricted and permanently restricted pledges receivable as of June 30, 2011 consist primarily of unconditional pledges from various individuals. The pledges have been made to support various Federation-sponsored programs and projects including the Elaine Frank Apachi Day Camp, Jewish Day School Guaranty Trust Fund, Jewish Women's Foundation, New Headquarters (30 South Wells) board designated fund and University of Illinois Cohen Hillel Center. All pledges recorded during fiscal year 2011 and prior are discounted using rates ranging from 1.7 - 4.4 percent. Pledges are payable as follows:

2012	\$ 4,842,550
2013	2,518,504
2014	2,106,568
2015	1,922,891
2016	1,781,540
Thereafter	<u>2,320,250</u>
	15,492,303
Allowance for uncollectible pledges	(1,363,342)
Discount to present value	<u>(1,167,521)</u>
	<u>\$ 12,961,440</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 6. Distributions to Beneficiaries

Distributions are paid to beneficiaries from board designated net assets (donor advised and other funds) and from unrestricted undesignated net assets (transferred from temporarily restricted net assets) in satisfaction of specific donor restrictions. A summary of distributions paid is as follows:

	2011	2010
Distributions from unrestricted undesignated net assets represented by transfer of net assets released from restriction		
The Ark	\$ 8,779	\$ 9,141
CJE SeniorLife	232,232	222,777
Financial assistance for students	367,590	377,092
Ida Crown Jewish Academy	547,796	267,218
Financial assistance for hearing impaired	31,923	28,192
Haiti/Japan Earthquake Relief	500,350	456,326
Jewish Aid for Israel	275,000	227,432
Jewish Child and Family Services	94,468	97,280
Jewish Community Centers	32,048	32,068
Jewish Day Schools	1,824,349	1,808,045
Jewish Vocational Services	47,820	49,812
JFMC Facilities Corporation	61,149	27,454
Leadership training	20,404	21,252
Special education project	294,759	239,572
Spertus College of Judaica	248,827	229,407
Trips to Israel	65,792	78,162
University Hillel Buildings and Hillel Programs	142,369	147,395
Various other charities	120,909	81,012
Youth leadership programs	44,607	19,957
Represented by satisfaction of donor restrictions, forward	<u>4,961,171</u>	<u>4,419,594</u>

**Jewish Federation of Metropolitan Chicago**

**Notes to Consolidated Financial Statements**

**Note 6. Distributions to Beneficiaries (Continued)**

	2011	2010
Distributions from unrestricted undesignated net assets represented by transfer of net assets released from restriction, forward	\$ 4,961,171	\$ 4,419,594
Designated		
Donor advised funds		
Federation	2,483,883	1,020,658
Jewish United Fund	6,355,154	6,030,730
Other philanthropic organizations	14,783,908	19,858,871
	<u>23,622,945</u>	<u>26,910,259</u>
Other		
The Ark	248,369	255,748
Associated Talmud Torahs	11,712	12,200
Camping program for the aged	9,948	10,360
CJE SeniorLife	1,400,760	1,455,167
Emergency and special projects	153,645	774,627
Financial assistance for students	285,179	140,889
Hate crime victims	4,000	4,000
Jewish Child and Family Services	1,032,640	1,248,969
Jewish Community Centers of Chicago	1,517,760	2,076,333
Jewish Day Schools	-	6,600
Jewish United Fund	244,336	244,422
Jewish Vocational Services	5,557	-
Jewish Women's Foundation	358,097	365,214
Jewish refugee and immigrant programs	53,088	53,088
JFMC Facilities Corporation	1,635,963	1,547,417
Resident camp scholarship program	21,728	22,323
Scholar in residence	10,544	160,984
Spertus College of Judaica	1,246,936	1,346,468
University Hillel buildings and Hillel programs	773,216	816,411
Various other charities	423,543	294,144
Distributions paid from Support Foundations to various charities	21,792,918	17,758,254
	<u>31,229,939</u>	<u>28,593,618</u>
Total designated funds	<u>54,852,884</u>	<u>55,503,877</u>
Total	<u>\$ 59,814,055</u>	<u>\$ 59,923,471</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 7. Loans Receivable - Affiliated Agencies and Other Beneficiaries

Loans receivable due from affiliated agencies and other beneficiaries consisted of the following:

	2011	2010
Jewish Community Centers of Chicago	\$ -	\$ 24,102
Jewish Child and Family Services (JCFS)		
(a) Noninterest bearing loan to fund merger costs of Jewish Family and Community Services and Jewish Children's Bureau. Repayment of the loan began in fiscal 2010 at \$75,000 per year.	1,378,400	1,453,400
(b) Loan for funding the deficit in Migdal Oz Program operated by JCFS (originating November 19, 2004 in the amount of \$127,598, interest at 5% per annum, principal and interest payable when the actual outcome of any year results in a net surplus). Beginning in fiscal 2010, the Federation is no longer funding the deficit from its unrestricted endowment fund.	338,323	340,785
Hillel Torah North Suburban Day School		
Loan to fund subcontractor settlement (originating February 15, 2010 in the amount of \$20,000, interest at 3.70% per annum, principal and interest payable beginning March 30, 2010 over a 5-year period).	15,023	18,779
Balances, forwarded	<u>1,731,746</u>	<u>1,837,066</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 7. Loans Receivable - Affiliated Agencies and Other Beneficiaries (Continued)

	2011	2010
Balances, forwarded	\$ 1,731,746	\$ 1,837,066
JFMC Facilities Corp.		
(a) Loan to fund the current building operating deficit of the Goldie Bachman Luftig Building (interest accruing at 3.6% per annum, to be repaid from future rents). Interest rate was reduced from 6% to 3.6% during fiscal year 2011. Principal payments are scheduled to begin in fiscal year 2022.	1,587,699	1,252,524
(b) Loans to fund various projects in process to affiliated agencies (bearing interest at varying rates ranging from 5% - 8%, maturing at various dates).	162,875	181,579
(c) Loan to fund the construction costs associated with the Weinger Jewish Community Center Project and rent, bearing interest at 5.98% per annum over a 24-year period with final payments due in 2021.	168,791	180,773
(d) Loan to fund payment of debt service on all Weinger debt arrangements (bonds and loans payable) on behalf of Jewish Community Centers of Chicago, bearing interest at 5.96% per annum to be repaid from future rents beginning in 2021.	3,231,224	3,231,224
(e) Loan for the Woodridge Road Renovation Project at the "Z" Frank Apachi Day Camp (originated June 1, 2009 in the amount of \$110,446, interest at 4.00% per annum, principal and interest payable beginning July 1, 2009 over a 25-year period).	105,087	107,820
(f) Loan to fund Fiedler Hillel project, bearing interest at 5.96% per annum, payable over a 21-year period, with final payment due August 1, 2020.	660,671	707,624
(g) Loan to fund the leasehold improvements in the Kersten facility located at 255 Revere Drive, Northbrook, Illinois, bearing interest at 4.50% per annum payable over a 22-year period, with final payment due June 1, 2024.	457,257	482,582
(h) Loan to fund the purchase of 909 Wilson property in Chicago, bearing interest at 4.5% per annum, principal and interest paid annually, with final payment due 2025.	564,561	592,887
(i) Loan to fund the purchase of a gas absorber at the Weinberg Facility, bearing interest at 6% per annum, payable over a 10-year period with final payment due in 2013.	72,212	105,202
Balances, forwarded	<u>8,742,123</u>	<u>8,679,281</u>

**Jewish Federation of Metropolitan Chicago**

**Notes to Consolidated Financial Statements**

**Note 7. Loans Receivable - Affiliated Agencies and Other Beneficiaries (Continued)**

	2011	2010
Balances, forwarded	\$ 8,742,123	\$ 8,679,281
JFMC Facilities Corp. (Continued)		
(j) Loan to fund parking lot improvements at the Bernard Horwich Jewish Community Building (originating November 1, 2009 in the amount of \$183,750, interest at 4.50% per annum, principal and interest payable beginning December 1, 2009 over a 20-year period).	174,445	180,399
(k) Loan to fund roof repair at the Bernard Horwich Jewish Community Building (originating November 1, 2009 in the amount of \$224,051, interest at 4.50% per annum, principal and interest payable beginning December 1, 2009 over a 25-year period).	216,088	221,183
Jewish United Fund		
(a) Loan for software internally developed by Jewish United Fund, bearing interest at 3.15%, payable over a 23-year period beginning in July 2011, after the Resource Development loans have been paid in full. The final payments are due in 2035 (see Notes 10 and 11).	4,741,085	4,522,985
Other Organizations		
(a) Noninterest bearing loan to the Israel Center for Excellence Through Education - USA, due over a 10-year period with final payments due in 2019.	956,000	956,000
(b) Loan to Mt. Sinai Hospital Medical Center originating December 31, 2005 in the amount of \$1,500,000, bearing interest at 1.56%. Principal and interest are being paid through monthly allocation deductions that began in fiscal 2010, which will continue until the full amount has been repaid in February 2012.	375,391	1,022,623
(c) Loans are for various day schools to provide the cash match requirement to receive funding from the U.S. Department of Homeland Security Grants for security improvements at the schools. These loans bear interest at various rates (1.00% per annum plus the long-term Treasury bill rate) based on the term of the loan. Principal and interest payments are payable monthly, maturing at various dates beginning in 2013 through 2029.	280,970	305,099
(d) Other	10,056	31,197
	<u>\$ 15,496,158</u>	<u>\$ 15,918,767</u>

**Note 8. Fair Value of Financial Instruments and Investments**

As described in Note 1, the Federation records its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Federation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below.

Level 1. Unadjusted quoted prices for identical assets or liabilities in active markets that the Federation has the ability to access at the measurement date. Assets included in Level 1 include investments in money market funds, listed equities and mutual funds.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Assets and liabilities included in Level 2 include investments in State of Israel bonds, corporate notes, less liquid and restricted equity securities, interest rate swaps and certain investments in funds that calculate net asset value per share, or its equivalent. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Assets and liabilities that are included in Level 3 generally include limited partnership interests in corporate private equity and real estate funds, debt funds, hedge funds, and funds of hedge funds. Also included in this category are beneficial interest in charitable trusts and charitable remainder and annuity trusts.

The Federation assesses the levels of the investments at each measurement date, and transfers between fair value hierarchy levels are recognized by the end of each reporting period.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Federation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

For the fiscal years ended June 30, 2011 and 2010, the application of valuation techniques applied to similar assets and liabilities has been consistent with previous years. The following is a description of the valuation methodologies used for investments, beneficial interest in charitable trusts, derivative instruments and charitable remainder and annuity trusts measured at fair value:

*Investments*

Investments in money market funds, mutual funds and securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy. Preferred stock and other equities traded on inactive markets or valued by reference to similar instruments are categorized as Level 2 in the fair value hierarchy.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 8. Fair Value of Financial Instruments and Investments (Continued)

Investments in government bonds and corporate notes which are traded on a national securities exchange or market are valued at the mean between the current "bid" and "asked" quotations on that day. If a reliable bid and asked quotation cannot be obtained from a national securities exchange, the security is priced at the mean between the bid and asked quotation of a reliable market maker. Government bonds and corporate notes not traded on an exchange are stated at cost plus accrued interest, which approximates the fair value. These financial instruments are classified as Level 2 in the fair value hierarchy.

Investments in alternative investments and other investment vehicles (funds) are valued at fair value based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date, as determined by the Federation. In determining fair value, the Federation utilizes valuations provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective investment fund and may not reflect amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Federation's investments in funds generally represents the amount the Federation would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply.

During the fiscal year ended June 30, 2010, the Federation adopted new guidance related to investments in certain funds which do not have a quoted market price but which calculate net asset value per share or its equivalent. Pursuant to this guidance, if the Federation has the ability to redeem an investment in alternative investments or other investment vehicles (funds) at its net asset value at their measurement date, the investment shall be categorized as a Level 2 fair value investment. If the Federation cannot redeem the investment at net asset value at the measurement date, but the investment may be redeemable at a future date, the Federation considers the length of time until the investment will be redeemable, including redemption suspensions, lockups or side pockets, in determining whether it will be categorized as a Level 2 or Level 3 fair value investment. In the case of the imposition of a gate, if a lockup period in excess of 90 days is remaining at the measurement date, or if the Federation may not redeem its holding in the fund within 90 days or less, the Federation's ability to validate or verify the net asset value through redeeming is impaired, and the investment is generally classified as Level 3. During the fiscal years ended June 30, 2011 and 2010, the fair value of the Federation's investments in alternative investments and other investment vehicles (funds) was determined using net asset value and certain of these investments were reclassified between Level 3 and Level 2. Transfers made between Level 2 and Level 3 were based on changes in liquidity terms for the respective investments. As of June 30, 2011 and 2010 the Federation had approximately \$1,600,000 and \$1,000,000 of investments with redemption suspensions, lockups or side pockets, respectively.

#### *Beneficial Interest in Charitable Trusts*

The fair value of the beneficial interest in charitable trusts is determined based upon the Federation's proportional interest in the fair value of the trusts' assets. The underlying trusts' assets are either readily marketable and have fair values which are determined by obtaining quoted market prices in active markets, or are determined by the trusts using information provided by the related investment managers. The beneficial interest in charitable trusts is classified as Level 3.

#### *Derivative Instruments*

The Federation uses interest rate swaps to manage interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and uses observable market based inputs, including LIBOR rate curves. The interest rate swaps are classified as Level 2.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 8. Fair Value of Financial Instruments and Investments (Continued)

##### Charitable Remainder and Annuity Trusts

The Federation's liability for annuity contract obligations is computed and measured at fair value using present value discount rates. In computing the liability, management considers the estimated return on the invested assets and the contractual payment obligation during the expected term of each respective annuity agreement. The fair value estimates are classified as Level 3.

The following table presents the Federation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2011:

	Quoted Prices for identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
<b>Assets</b>				
Investments				
Money market funds	\$ 41,535,021	\$ -	\$ -	\$ 41,535,021
Common stocks	144,017,396	-	-	144,017,396
Mutual funds	195,455,619	-	-	195,455,619
State of Israel bonds	-	9,502,701	-	9,502,701
Corporate notes	-	3,578,534	-	3,578,534
Preferred stocks	-	104,800	-	104,800
Investments in funds				
Alternative investments				
Absolute return hedge funds	-	20,417,063	136,676,435	157,093,498
Real assets funds (real estate, energy and resources)	-	-	107,129,180	107,129,180
Private equity and fund-of-funds	-	-	93,368,310	93,368,310
Other investment vehicles				
Domestic equity	-	63,395,400	-	63,395,400
International equity	-	65,212,248	-	65,212,248
Fixed income	-	34,570,815	-	34,570,815
Other	-	-	3,520,152	3,520,152
	<u>\$ 381,008,036</u>	<u>\$ 196,781,561</u>	<u>\$ 340,694,077</u>	<u>\$ 918,483,674</u>
Beneficial interest in charitable trusts				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,622,030</u>	<u>\$ 26,622,030</u>
<b>Liabilities</b>				
Interest rate swaps	\$ -	\$ 18,972,468	\$ -	\$ 18,972,468
Charitable remainder and annuity trusts	-	-	18,869,867	18,869,867
	<u>\$ -</u>	<u>\$ 18,972,468</u>	<u>\$ 18,869,867</u>	<u>\$ 37,842,335</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 8. Fair Value of Financial Instruments and Investments (Continued)

The following table presents the Federation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2010:

	Quoted Prices for identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
<b>Assets</b>				
Investments				
Money market funds	\$ 35,852,273	\$ -	\$ -	\$ 35,852,273
Common stocks	114,924,811	-	-	114,924,811
Mutual funds	145,201,946	-	-	145,201,946
State of Israel bonds	-	9,631,874	-	9,631,874
Corporate notes	-	3,621,933	-	3,621,933
Preferred stocks	-	101,200	-	101,200
Investments in funds				
Alternative investments				
Absolute return hedge funds	-	88,974,730	61,428,729	150,403,459
Real assets funds (real estate, energy and natural resources)	-	-	90,260,485	90,260,485
Private equity and fund-of-funds	-	-	83,385,629	83,385,629
Other investment vehicles				
Domestic equity	-	83,154,093	-	83,154,093
International equity	-	53,964,457	-	53,964,457
Fixed income	-	32,256,280	-	32,256,280
Other	-	-	3,351,282	3,351,282
	<u>\$ 295,979,030</u>	<u>\$ 271,704,567</u>	<u>\$ 238,426,125</u>	<u>\$ 806,109,722</u>
Beneficial interest in charitable trusts				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,955,800</u>	<u>\$ 22,955,800</u>
<b>Liabilities</b>				
Interest rate swaps	\$ -	\$ 22,960,903	\$ -	\$ 22,960,903
Charitable remainder and annuity trusts	-	-	18,968,399	18,968,399
	<u>\$ -</u>	<u>\$ 22,960,903</u>	<u>\$ 18,968,399</u>	<u>\$ 41,929,302</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 8. Fair Value of Financial Instruments and Investments (Continued)

Financial instruments classified as Level 3 in the fair value hierarchy represent the Federation's investments in financial instruments in which the Federation has used at least one significant unobservable input in the valuation model. The following presents a reconciliation of activity for Level 3 investments in funds:

	Absolute Return Hedge Funds	Real Assets Funds	Private Equity/ Fund-of-Funds	Other Investment Vehicles	Other	Total
Balance, July 1, 2009	\$ 132,823,062	\$ 79,716,954	\$ 75,515,536	\$ 186,048,236	\$ 4,302,104	\$ 478,405,892
Transfer to Level 2	(97,264,588)	-	-	(186,048,236)	-	(283,312,824)
Purchases of investments in funds	20,026,439	13,550,000	11,705,375	-	-	45,281,814
Proceeds from investments in funds	(1,856,239)	(100,000)	(5,867,259)	-	-	(7,823,498)
Gain (loss) on investment activity (realized and change in unrealized)	7,700,055	(2,906,469)	2,031,977	-	(950,822)	5,874,741
Balance, June 30, 2010	61,428,729	90,260,485	83,385,629	-	3,351,282	238,426,125
Transfer to Level 3	86,770,039	-	-	-	-	86,770,039
Transfer to Level 2	(16,730,633)	-	-	-	-	(16,730,633)
Purchases of investments in funds	5,000,000	14,000,000	13,304,224	-	189,791	32,494,015
Proceeds from investments in funds	(6,986,069)	(600,000)	(15,137,206)	-	(50,733)	(22,774,008)
Gain on investment activity (realized and change in unrealized)	7,194,369	3,468,695	11,815,663	-	29,812	22,508,539
Balance, June 30, 2011	\$ 136,676,435	\$ 107,129,180	\$ 93,368,310	\$ -	\$ 3,520,152	\$ 340,694,077

The total change in unrealized gain included in the consolidated statements of activities attributable to Level 3 investments in funds held at June 30, 2011 and 2010 was \$20,740,779 and \$4,841,850, respectively.

The following presents a reconciliation of activity for the Level 3 beneficial interest in charitable trusts:

Balance, July 1, 2009	\$ 22,704,671
Change in value	251,129
Balance, June 30, 2010	22,955,800
Change in value	3,666,230
Balance, June 30, 2011	\$ 26,622,030

The following presents a reconciliation for the changes in the Federation's liability for charitable remainder and annuity trusts, which is deemed a Level 3 liability:

Balance, July 1, 2009	\$ 19,742,901
Liability portion of charitable gifts received	608,685
Payments to annuitants	(3,823,681)
Actuarial decrease in the present value of annuities	2,440,494
Balance, June 30, 2010	18,968,399
Liability portion of charitable gifts received	1,213,605
Payments to annuitants	(5,054,812)
Actuarial increase in the present value of annuities	3,742,675
Balance, June 30, 2011	\$ 18,869,867

**Jewish Federation of Metropolitan Chicago**

**Notes to Consolidated Financial Statements**

**Note 8. Fair Value of Financial Instruments and Investments (Continued)**

Investments (inclusive of certain investments carried in pooled investment accounts) consisted of the following:

	2011	2010	Hierarchy Level
Money market funds	\$ 41,535,021	\$ 35,852,273	1
Common stocks	144,017,396	114,924,811	1
Preferred stocks	104,800	101,200	2
Corporate notes	3,578,534	3,621,933	2
State of Israel bonds	9,502,701	9,631,874	2
Investments in funds			
Alternative investments			
Absolute return hedge funds	157,093,498	150,403,459	2-3
Real assets funds (real estate, energy and natural resources)	107,129,180	90,260,485	3
Private equity and fund-of-funds	93,368,310	83,385,629	3
Other investment vehicles*			
Domestic equity - large capitalization	27,341,021	43,438,400	2
Domestic equity - small capitalization	36,054,379	39,715,693	2
International equity	65,212,248	53,964,457	2
Fixed income	34,570,815	32,256,280	2
Mutual funds			
Domestic equity - large capitalization	70,625,246	35,236,605	1
Domestic equity - small capitalization	9,588,897	9,047,984	1
International equity	54,850,282	45,341,115	1
Fixed income	60,391,194	55,576,242	1
Other**	3,520,152	3,351,282	3
	<u>918,483,674</u>	<u>806,109,722</u>	
Affiliate and other agency ownership in pooled endowment portfolio	(281,143,556)	(242,046,094)	
	<u>\$ 637,340,118</u>	<u>\$ 564,063,628</u>	

\*Other investment vehicles consist of investments in partnerships, limited liability companies and commingled trusts that invest in readily marketable securities.

\*\*Other consists of investments in life insurance policies, notes and other illiquid investments.

**Jewish Federation of Metropolitan Chicago**

**Notes to Consolidated Financial Statements**

**Note 8. Fair Value of Financial Instruments and Investments (Continued)**

The tables below present the Federation's ability to redeem an investment in funds valued at net asset value or its equivalent as of June 30, 2011 and 2010 and include the investment funds' redemption frequency and redemption notice period. The tables also include a summary of the significant categories of such investments measured at net asset value, their attributes and investment strategies as of June 30, 2011 and 2010:

June 30, 2011				
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Alternative investments				
Absolute return hedge funds <sup>(a)</sup>	\$ 157,093,498	\$ -	Various	10 - 180 days
Real assets funds (real estate, energy and natural resources) <sup>(b)</sup>	107,129,180	37,521,869	Illiquid	N/A
Private equity and fund-of-funds <sup>(c)</sup>	93,368,310	43,392,744	Illiquid	N/A
Other investment vehicles				
Domestic equity <sup>(d)</sup>	63,395,400		Various	5 - 60 days
International equity <sup>(e)</sup>	65,212,248		Monthly	5 - 30 days
Fixed income <sup>(f)</sup>	34,570,815		Monthly	10 - 60 days
	<u>\$ 520,769,451</u>	<u>\$ 80,914,613</u>		
June 30, 2010				
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Alternative investments				
Absolute return hedge funds <sup>(a)</sup>	\$ 150,403,159	\$ -	Various	10 - 180 days
Real assets funds (real estate, energy and natural resources) <sup>(b)</sup>	90,260,485	50,510,794	Illiquid	N/A
Private equity and fund-of-funds <sup>(c)</sup>	83,385,629	45,817,072	Illiquid	N/A
Other investment vehicles				
Domestic equity <sup>(d)</sup>	83,154,093		Various	5 - 60 days
International equity <sup>(e)</sup>	53,964,457		Monthly	5 - 30 days
Fixed income <sup>(f)</sup>	32,256,280		Monthly	10 - 60 days
	<u>\$ 493,424,103</u>	<u>\$ 96,327,866</u>		

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 8. Fair Value of Financial Instruments and Investments (Continued)

(a) This class represents investments in hedge funds whose strategies include, but are not limited to, global long/short equity, distressed investments, multi-strategy and event driven. Redemptions are allowed monthly, quarterly, every six months and annually.

(b) This class represents investments in real estate and real estate related companies whose principal businesses are located in developing markets throughout the world. There is no ability to redeem the real estate funds during the lives of the funds.

(c) This class represents investments in private equity funds and fund of funds whose strategies include, but are not limited to, international and domestic buyouts, venture capital and special situations. Private equity funds are in a private equity structure with no ability to be redeemed during the lives of the funds.

(d) This class represents investments in domestic partnerships, limited liability companies and commingled trusts. Redemptions are allowed monthly and quarterly.

(e) This class represents investments in international partnerships, limited liability companies and commingled trusts.

(f) This class represents investments in global bond and emerging fixed income funds.

The Federation maintains investments in a pooled investment endowment portfolio and other investments. The pooled endowment portfolio is open to affiliated agencies, beneficiary organizations, Jewish Federations from other cities and other Jewish non-profit organizations. The investments of the pooled endowment portfolio are comprised of the following as of June 30, 2011:

	June 30, 2011	
	Investments of the Pooled Endowment Portfolio	Percentage of Total Pooled Fund
Money market funds	\$ 13,842,432	2 %
State of Israel bonds	5,998,701	1
Alternative investments		
Absolute return hedge funds	133,377,496	19
Real asset funds (real estate, energy and natural resources)	100,681,850	15
Private equity and fund-of-funds	93,238,862	13
Mutual funds and other investment vehicles		
Domestic equity - large capitalization	87,472,054	13
Domestic equity - small capitalization	45,643,276	7
International equity	118,119,808	17
Fixed income - domestic	56,322,267	8
Fixed income - international	34,570,815	5
	<u>\$ 689,267,561</u>	<u>100 %</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 8. Fair Value of Financial Instruments and Investments (Continued)

The investments of the pooled endowment portfolio are comprised of the following as of June 30, 2010:

	June 30, 2010	
	Investments of the Pooled Endowment Portfolio	Percentage of Total Pooled Fund
Money market funds	\$ 11,108,444	2 %
State of Israel bonds	5,983,123	1
Alternative investments		
Absolute return hedge funds	129,551,664	21
Real asset funds (real estate, energy and natural resources)	83,813,155	14
Private equity and fund-of-funds	83,193,045	14
Mutual funds and other investment vehicles		
Domestic equity - large capitalization	69,166,640	11
Domestic equity - small capitalization	48,820,324	8
International equity	97,286,073	16
Fixed income - domestic	50,845,522	8
Fixed income - international	32,256,280	5
	<u>\$ 612,024,270</u>	<u>100 %</u>

Effective January 1, 2011, the pooled endowment portfolio was converted into shares; each share was issued at \$100. At June 30, 2011, there were 6,609,952 shares issued and outstanding with a per share value of \$104.28.

As of June 30, 2011 and 2010 ownership of the pooled endowment portfolio is as follows:

	June 30, 2011		
	Ownership of Total Pooled Fund	Other Investments	Total
Federation	\$ 408,124,005	\$ 229,216,113	\$ 637,340,118
Jewish United Fund	64,961,426	-	64,961,426
Jewish Federations/Foundations from other cities	111,235,717	-	111,235,717
Federation affiliates and beneficiary agencies	76,097,788	-	76,097,788
Other Jewish non-profit organizations	28,848,625	-	28,848,625
	<u>\$ 689,267,561</u>	<u>\$ 229,216,113</u>	<u>\$ 918,483,674</u>
	June 30, 2010		
	Ownership of Total Pooled Fund	Other Investments	Total
Federation	\$ 369,978,176	\$ 194,085,452	\$ 564,063,628
Jewish United Fund	60,204,173	-	60,204,173
Jewish Federations/Foundations from other cities	90,093,962	-	90,093,962
Federation affiliates and beneficiary agencies	69,560,807	-	69,560,807
Other Jewish non-profit organizations	22,187,152	-	22,187,152
	<u>\$ 612,024,270</u>	<u>\$ 194,085,452</u>	<u>\$ 806,109,722</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 8. Fair Value of Financial Instruments and Investments (Continued)

In connection with its investing and hedging activities, the Federation enters into transactions with a variety of securities and derivative financial instruments. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the consolidated statements of financial position.

The Federation's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

**Market risk:** Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Federation's overall exposure to market risk. The Federation attempts to control its exposure to market risk through various analytical monitoring techniques.

**Credit risk:** Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. The Federation's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Federation has a gain. Exchange-traded financial instruments generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges.

**Concentration of credit risk:** The Federation's managers currently invest with various managers and clearing brokers. In the event these counterparties do not fulfill their obligations, the Federation may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The Federation attempts to minimize this credit risk by monitoring the creditworthiness of the managers and clearing brokers.

**Investments in funds:** The managers of underlying investment funds in which the Federation invests, may utilize derivative instruments with off-balance-sheet risk. The Federation's exposure to risk is limited to the amount of its investment.

As of June 30, 2011, the Federation had approximately \$81,000,000 (2010 - \$96,000,000) of unfunded capital commitments to various alternative investment funds, which have no specific capital call dates and such capital calls are at the discretion of the fund managers. Management believes most of the commitments will be called sometime over the next five to seven years.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 9. Real Estate

Real estate consisted of the following:

	2011	2010
South Michigan Avenue property	\$ 108,750	\$ 108,750
Bernard Horwich property	610,412	610,412
University of Illinois Cohen Hillel		
Land	1	1
Equipment, furniture and fixtures	10,657	10,657
	10,658	10,658
Accumulated depreciation	(3,805)	(2,283)
	6,853	8,375
	\$ 726,015	\$ 727,537

Depreciation for the fiscal years ended June 30, 2011 and 2010 has been reflected as an expense of operations as follows:

	2011	2010
University of Illinois Cohen Hillel equipment, furniture and fixtures	\$ 1,522	\$ 1,522

#### Hillel Land

In a previous fiscal year, the Federation received title to land in Champaign, Illinois, which was recorded by the Federation at \$1.

#### Bernard Horwich Property

In September 1988, the Federation purchased the Bernard Horwich property in Chicago, Illinois from the Jewish Community Centers of Chicago (an affiliated agency) for use by the Jewish Community Centers, the CJE SeniorLife and Jewish Child and Family Services. The Jewish Community Centers has retained an equity interest in the proceeds of any future sale of the land, equal to 40 percent of the excess of such proceeds over the base purchase cost and other capital items, as specified.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 10. Due from Jewish United Fund

Net amounts due from the Jewish United Fund as reflected in the unrestricted fund consisted of:

	2011	2010
Loans to meet fiscal obligations, including the Resource Development Plan (external funding - interest rate and repayment schedule is identical to Federation agreements under bank loans payable).	\$ 10,500,000	\$ 13,584,942
Underpayments (advances) on allocations from the Jewish United Fund	(1,059,529)	638,989
	<u>\$ 9,440,471</u>	<u>\$ 14,223,931</u>

#### Note 11. Bank Loans Payable

Bank loans payable consisted of the following:

	2011	2010
Loans to meet fiscal obligations, under Resource Development Plan (see Note 10 for corresponding receivable from Jewish United Fund)		
JP Morgan Chase Bank, N.A. (see (a) below)		
Term loan	\$ -	\$ 953,770
Bullet loan	-	1,059,442
Bank of America, N.A. (see (b) below)	-	911,016
The Northern Trust Company (see (c) below)	-	660,714
	-	<u>3,584,942</u>
Loan to meet operating needs of the Jewish United Fund		
JP Morgan Chase Bank, N.A. (see (d) below)	10,500,000	10,000,000
	<u>10,500,000</u>	<u>13,584,942</u>
Other bank loans payable		
Loan to fund the Jewish Day School Guaranty Trust endowment fund distributions (see (e) below)	5,820,000	4,100,000
	<u>5,820,000</u>	<u>4,100,000</u>
	<u>\$ 16,320,000</u>	<u>\$ 17,684,942</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 11. Bank Loans Payable (Continued)

(a) The Federation was indebted to JP Morgan Chase Bank, N.A. (JP Morgan) under Amended and Restated Loan Agreements (Agreements). As a result of the Agreements, the Federation had: (i) a \$10,000,000 unsecured term loan with a maturity date of May 31, 2011, which bore interest at LIBOR plus 1.0 percent per annum, with payments of interest and principal made quarterly based on an 18-year amortization schedule; and (ii) a \$10,000,000 unsecured bullet loan, which bore interest at LIBOR plus 1.0 percent per annum, being amortized over a 17-year period with a maturity date of May 31, 2011. These loans were repaid in full during fiscal year 2011.

(b) The Federation was indebted to the Bank of America, N.A. under an unsecured \$8,000,000 note originally dated July 1994 and modified in subsequent years, most recently on May 1, 2005.

The modified note was for an \$8,000,000 term loan which bore interest at LIBOR plus one-half percent annually. Payments of interest and principal were made semiannually based on a 15-year amortization schedule.

In June 1997, the Federation obtained an additional unsecured note for \$1,250,000 from Bank of America, N.A. The note was modified on May 1, 2005 and bore interest at LIBOR plus one-half percent per annum, payable quarterly. Principal in the amount of \$46,296 was payable semiannually and the aggregate outstanding principal balance was paid in full during fiscal year 2011.

(c) The Federation was indebted to The Northern Trust Company (Northern Trust) under a \$9,250,000 unsecured term note originally dated June 30, 1997, which was amended and restated in subsequent years. The unsecured loan bore interest at LIBOR plus one-half percent per annum, payable quarterly. Principal payments in the amount of \$165,179 were payable quarterly and the aggregate outstanding principal balance was paid in full during fiscal year 2011.

(d) The Federation maintains an unsecured revolving line of credit with JP Morgan. Outstanding borrowings on the line bear interest at LIBOR plus .90 percent (prior to June 24, 2011, interest was charged at LIBOR plus 1.0 percent). The agreement as amended currently permits borrowings up to \$12,000,000 and matures August 31, 2012. As of June 30, 2011 and 2010, the line of credit had an outstanding balance of \$10,500,000 and \$10,000,000, respectively.

(e) Effective July 1, 2006, the Federation obtained an unsecured revolving note from Bank of America, N.A. which provided for maximum borrowings of \$4,100,000 and bore interest at the greater of LIBOR plus 1.25 percent or 2 percent per annum. The proceeds from the note were used to pay distributions on behalf of the Jewish Day School Guaranty Trust, an endowment fund of the Federation, with the expectation that the endowment fund would repay the loan in the future. In June 2010, the Bank of America note was replaced and repaid in full with proceeds from a new line of credit with JP Morgan. In June 2011, the agreement was amended to increase available borrowings to \$7,600,000 and to extend the maturity date to August 31, 2012. The line of credit bears interest at LIBOR plus 0.90 percent per annum. As of June 30, 2011 and 2010, the line of credit had an outstanding balance of \$5,820,000 and \$4,100,000, respectively.

Future principal maturities on the loans are as follows:

2012	\$	-
2013		16,320,000
	\$	<u>16,320,000</u>

Interest expense related to the above borrowings for each of the fiscal years ended June 30, 2011 and 2010 was approximately \$367,000 and \$716,000, respectively.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 11. Bank Loans Payable (Continued)

Pursuant to an amendment dated July 6, 2010 to the master credit agreement with JP Morgan dated August 13, 2008, the Federation obtained a \$40,000,000 line of credit. The unsecured line of credit bears interest at LIBOR plus .90 percent (prior to June 24, 2011, interest was charged at LIBOR plus 1.0 percent) and in June 2011 the agreement was amended to extend the maturity date to August 31, 2012. This line of credit is used to fund affiliated agency allocation payments. The Federation withdrew \$40,000,000 from the line of credit in July 2010 and approximately \$3,000,000 was used to pay the July allocation payments to affiliated agencies. The remaining \$37,000,000 was deposited in an account with Bank Leumi which provided a guaranteed interest rate of at least 1.65 percent for the period from July 2010 through June 30, 2011. The Federation has the ability to withdraw cash from this account as needed to fund allocation payments during certain times of the year when cash levels are low. This allows Federation to pay its allocation to affiliated agencies on a pro-rata basis semi-monthly throughout the year. In addition, the Federation is able to offer working capital financing to affiliated agencies at a lower cost than their financing options. The Federation repaid the outstanding balance in full before June 30, 2011.

#### Note 12. Bonds Payable

Bonds payable consisted of the following:

	2011	2010
Colorado Educational and Cultural Facilities Authority - Series A-1	\$ 2,245,000	\$ 2,305,000
Colorado Educational and Cultural Facilities Authority - Series A-8	4,235,000	4,340,000
Colorado Educational and Cultural Facilities Authority - Series A-10	1,035,000	1,055,000
Colorado Educational and Cultural Facilities Authority - Series F-1	3,025,000	3,225,000
	<u>\$ 10,540,000</u>	<u>\$ 10,925,000</u>

#### Colorado Educational and Cultural Facilities Authority - Series A-1

Pursuant to an agreement dated July 23, 2003 with the Colorado Educational and Cultural Facilities Authority, the Federation received proceeds from tax-exempt bonds in the amount of \$2,630,000, to be used for renovations of its corporate offices. Bond proceeds were also issued to Facilities.

The Federation's portion of the bonds will mature on September 1, 2033 and bear interest in a daily mode, as defined, until converted to a different mode. The effective interest rate for 2011 was approximately 0.23 percent (2010 – 0.24 percent). The Facilities' portion of the bonds is due at various maturities through 2033.

Principal and interest on the bonds are secured by a letter of credit, expiring September 1, 2013, issued by Bank of America N.A. The Federation has entered into a Guaranty Agreement whereby it has guaranteed the payment of the aggregate original principal amount of \$47,800,000 (carrying value of \$36,260,000 and \$38,690,000 at June 30, 2011 and 2010, respectively) and interest thereon.

#### Colorado Educational and Cultural Facilities Authority - Series A-8

Pursuant to an agreement dated July 13, 2005 with the Colorado Educational and Cultural Facilities Authority, the Federation received proceeds from tax-exempt bonds in the amount of \$4,720,000, to be used for campaign and donor management software development (on behalf of Jewish United Fund). Bond proceeds were also issued to Facilities.

## **Jewish Federation of Metropolitan Chicago**

### **Notes to Consolidated Financial Statements**

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#### **Note 12. Bonds Payable (Continued)**

The Federation's portion of the bonds will mature on September 1, 2035 and bear interest in a daily mode, as defined, until converted to a different mode. The effective interest rate for 2011 was approximately 0.23 percent (2010 – 0.24 percent). The Facilities' portion of the bonds also matures on September 1, 2035. Principal and interest on the bonds are secured by a letter of credit, expiring September 1, 2013, issued by Bank of America N.A. In addition, payment is secured by a first priority mortgage on the office space at 30 South Wells Street, including assignment of all rents and leases, and a first priority security interest in all furniture, fixtures and equipment owned by Facilities at that location and all replacements and substitutions thereof and proceeds thereof. The Federation has entered into a Guaranty Agreement whereby it has guaranteed the payment of the aggregate original principal amount of \$39,970,000 (carrying value of \$35,845,000 and \$36,730,000 at June 30, 2011 and 2010, respectively) and interest thereon.

#### **Colorado Educational and Cultural Facilities Authority - Series A-10**

Pursuant to an agreement dated July 26, 2007 with the Colorado Educational and Cultural Facilities Authority, the Federation received proceeds from tax-exempt bonds in the amount of \$1,075,000, to finance completion of construction of the Hillel Student Center located on the campus of University of Illinois in Champaign-Urbana and to finance the costs of issuance, capitalized interest and certain other related expenses of the bond offering. Bond proceeds of \$20,970,000 were also issued to Facilities.

The Federation's portion of the bonds will mature on September 1, 2037 and bear interest in a daily mode, as defined, until converted to a different mode. The Facilities' portion of the bonds also matures on September 1, 2037. The effective interest rate for 2011 was approximately 0.25 percent (2010 – 0.24 percent). Principal and interest on the bonds are secured by a letter of credit, expiring September 1, 2013, issued by Bank of America N.A. In addition, payment is secured by a first priority mortgage on the Elaine Frank Apache Day Camp located in Lake Zurich, Illinois, including assignment of all rents and leases and a first priority security interest in all furniture, fixtures and equipment owned by Facilities at the property described above and all replacements and substitutions thereof and proceeds thereof. The Federation has entered into a Guaranty Agreement whereby it has guaranteed the payment of the aggregate original principal amount of \$22,045,000 (carrying value of \$21,220,000 and \$21,640,000 at June 30, 2011 and 2010, respectively) and interest thereon.

#### **Colorado Educational and Cultural Facilities Authority - Series F-1**

Pursuant to an agreement dated August 12, 2008 with the Colorado Educational and Cultural Facilities Authority, the Federation received proceeds from tax exempt bonds in the amount of \$4,205,000, to refinance the Series 1996 Cook County bonds on behalf of Facilities and other debtors. The Federation was one of the borrowers to receive proceeds from these bonds with the remaining proceeds being issued to Facilities, Jewish Community Centers of Chicago and CJE SeniorLife.

The Federation's portion of the bonds will mature on September 1, 2022 and bear interest in a daily mode, as defined, until converted to a different mode. The effective interest rate for 2011 was approximately 0.23 percent (2010 - 0.24 percent). The affiliated agency's bonds are due at various maturities from 2022 to 2032. Payment of the principal and interest on the bonds are secured by a letter of credit expiring August 12, 2012, issued by Northern Trust. The Federation has entered into a Guaranty Agreement whereby it has guaranteed the payment of the aggregate original principal amount of \$31,625,000 (carrying value of \$26,445,000 and \$28,080,000 at June 30, 2011 and 2010, respectively), and interest thereon.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 12. Bonds Payable (Continued)

Future principal maturities on the bonds are as follows:

2012	\$	400,000
2013		410,000
2014		435,000
2015		445,000
2016		460,000
Thereafter		8,390,000
	\$	<u>10,540,000</u>

#### Note 13. Derivative Financial Instruments

To minimize the effect of changes in interest rates on certain loans and bonds payable, the Federation has entered into various interest rate swap arrangements as follows:

##### Bank Loans Payable

Four short-term floating to fixed interest rate swap arrangements with various financial institutions under which the Federation paid an approximate average rate of 7.0 percent and received a floating rate based on 100 percent of three-month LIBOR or six-month LIBOR. The original notional amount for each swap arrangement ranged from \$8,000,000 to \$15,000,000 and decreased each year as principal payments were made. The swap agreements expired in May 2011. At June 30, 2010, the estimated fair value of these swap arrangements was a liability of \$215,056.

##### Bonds Payable

Eleven interest rate swap arrangements with various financial institutions for notional amounts ranging from approximately \$4,000,000 to \$71,000,000. In connection with ten of the swap arrangements, the Federation has agreed to pay a fixed rate of interest equal to a blended average rate of approximately 3.4 percent, with the counterparty paying a floating rate based on 68 percent of LIBOR. Eight of these swaps also include "knock out" provisions under which the Federation would be required to pay interest at the floating rate rather than the fixed swap rate for as long as the 180-day rolling average of the SIFMA Index remains above a 6 percent threshold. The SIFMA rate was 0.09 percent as of June 30, 2011 (0.25 percent as of December 2011). The Federation also has one floating to floating CMS (constant maturity swap) arrangement under which it pays 68 percent of one month LIBOR and receives approximately 62.1 percent of the five-year LIBOR rate. The swap arrangements expire on various dates matching the maturities of the underlying bonds, with the last arrangement expiring in 2041. At June 30, 2011 and 2010, the estimated fair value of these swap arrangements was a liability of \$18,972,468 and \$22,745,847, respectively.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 13. Derivative Financial Instruments (Continued)

The interest rate swap agreements as of and for the years ended June 30, 2011 and 2010 consist of:

	2011	2010
Liability derivatives		
Interest rate contracts at fair value		
Statement of financial position		
Interest rate swap liability	<u>\$ (18,972,468)</u>	<u>\$ (22,960,903)</u>
Effective portion of gain (loss)		
Other changes in net assets		
Statement of activities position		
Change in unrealized gain (loss) on swap agreement	<u>\$ 3,988,435</u>	<u>\$ (4,793,332)</u>

**Margin call:** In connection with its interest rate swap arrangements, the Federation has entered into a master agreement with JP Morgan which contains a collateral posting provision. When the net present value of the combined swaps' carry (i.e. the market value of the swaps) exceeds \$25 million as specified in the master agreement, the swap counterparty with the negative carry must provide collateral to the other counterparty.

#### Note 14. Endowment

The Federation's endowment consists of donor restricted funds established for a variety of purposes. In addition, its endowment includes funds designated by the Board of Directors to function as endowments. These funds are categorized as board-designated. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board 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 of the Federation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net asset is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by UPMIFA. In addition, the endowment includes temporarily restricted funds operating as term endowments for which the principal is not required to be held in perpetuity, and funds designated by the Board to function as endowments. In accordance with UPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

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

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

Note 14. Endowment (Continued)

#### Endowment Composition

The Federation's endowment net asset composition by type of fund is as follows for the years ended June 30, 2011 and 2010:

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted	\$ (3,907,468)	\$ 54,224,738	\$ 62,661,373	\$ 112,978,643
Board-designated	150,826,005	-	-	150,826,005
	<u>\$ 146,918,537</u>	<u>\$ 54,224,738</u>	<u>\$ 62,661,373</u>	<u>\$ 263,804,648</u>

  

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted	\$ (4,711,325)	\$ 46,405,812	\$ 58,991,799	\$ 100,686,286
Board-designated	133,932,346	-	-	133,932,346
	<u>\$ 129,221,021</u>	<u>\$ 46,405,812</u>	<u>\$ 58,991,799</u>	<u>\$ 234,618,632</u>

#### Changes in Endowment Net Assets

The changes in endowment net assets for the Federation were as follows for the year ended June 30, 2011:

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 129,221,021	\$ 46,405,812	\$ 58,991,799	\$ 234,618,632
Investment return				-
Investment income	268,322	49,950	-	318,272
Gain on investment activity (realized and unrealized)	23,713,407	8,940,379	3,666,231	36,320,017
	<u>23,981,729</u>	<u>8,990,329</u>	<u>3,666,231</u>	<u>36,638,289</u>
Contributions	11,615,430	2,879,698	3,343	14,498,471
Other changes				-
Satisfaction of restriction appropriation	538,599	(538,599)	-	-
Distributions	(18,438,242)	(3,512,502)	-	(21,950,744)
	<u>(17,899,643)</u>	<u>(4,051,101)</u>	<u>-</u>	<u>(21,950,744)</u>
Endowment net assets, end of year	<u>\$ 146,918,537</u>	<u>\$ 54,224,738</u>	<u>\$ 62,661,373</u>	<u>\$ 263,804,648</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 14. Endowment (Continued)

The changes in endowment net assets for the Federation were as follows for the year ended June 30, 2010:

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 117,782,396	\$ 40,284,906	\$ 57,943,050	\$ 216,010,352
Investment return				-
Investment income	1,039,261	291,366	-	1,330,627
Gain on investment activity (realized and unrealized)	15,508,090	5,347,203	251,129	21,106,422
	<u>16,547,351</u>	<u>5,638,569</u>	<u>251,129</u>	<u>22,437,049</u>
Contributions	<u>29,867,551</u>	<u>3,744,089</u>	<u>797,620</u>	<u>34,409,260</u>
Other changes				-
Satisfaction of restriction appropriation	411,267	(411,267)	-	-
Distributions	<u>(35,387,544)</u>	<u>(2,850,485)</u>	<u>-</u>	<u>(38,238,029)</u>
	<u>(34,976,277)</u>	<u>(3,261,752)</u>	<u>-</u>	<u>(38,238,029)</u>
Endowment net assets, end of year	<u>\$ 129,221,021</u>	<u>\$ 46,405,812</u>	<u>\$ 58,991,799</u>	<u>\$ 234,618,632</u>

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Federation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$6,121,878 and \$6,812,661 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

#### Return Objectives and Risk Parameters

The Federation has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Federation must hold in perpetuity, temporarily restricted funds that are operating as endowments, as well as unrestricted board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to achieve an annualized long-term average nominal return which is approximately equal to the long-term average return of the market as a whole, but with less volatility than the overall market. Actual returns in any given year may vary significantly from the targeted amount.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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Note 14. Endowment (Continued)

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the 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 Federation targets a broadly diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### Spending Policy and How the investment Objectives Relate to Spending Policy

The Federation has adopted the Controlled Growth Distribution Policy (CGDP) for the majority of its endowment assets. Under this policy, the distribution rate for annual distributions from the Federation is based on the market performance of the pooled endowment portfolio, with certain caps and floors to provide stability during volatile market environments. The CGDP also includes a target growth rate of 2.5 percent per year. The CGDP regulates the spending of the vast majority of the Federation's endowed assets, however, the Federation also employs a number of other spending policies based on donor restrictions and Board resolutions. These policies are consistent with the Federation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

#### Note 15. Temporarily Restricted Net Assets

Temporarily restricted net assets released were as follows:

	2011	2010
Satisfaction of restrictions		
Satisfaction of time restriction	1,420,095	2,641,785
Satisfaction of restriction through recurring annual distributions (see Note 6)	4,961,171	4,419,594
Total satisfaction of restrictions	<u>\$ 6,381,266</u>	<u>\$ 7,061,379</u>

**Jewish Federation of Metropolitan Chicago****Notes to Consolidated Financial Statements**

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**Note 15. Temporarily Restricted Net Assets (Continued)**

The following is a summary of temporarily restricted net assets held:

	2011	2010
The ARK	\$ 22,530	\$ 16,092
Capital development fund - CJE SeniorLife	493,864	464,147
Charitable remainder trusts	4,440,302	4,533,129
Children with special needs	1,787,502	1,923,578
Community Foundation for Jewish Education	48,043	43,910
Fiedler Hillel	153,435	144,199
Financial assistance for hearing impaired	222,662	223,875
Financial assistance for students	8,001,392	6,672,747
General purposes	946,756	882,858
Haiti/Japan Earthquake Relief	33,761	301,729
Hebrew Theological College	110,051	95,259
Hillel Torah North Suburban Day School	56,443	53,091
Hillman Ballfield at the Bernard Horwich Building	94,516	89,014
Hillels of Illinois	694,000	556,052
Ida Crown Academy	1,041,335	652,332
Ida Crown Academy - Development Project	9,712,462	8,916,203
Jewish Agency for Israel	5,137,082	4,687,643
Jewish Day Schools	13,059,716	10,816,988
Jewish United Fund Uptown Cafe	484,874	449,491
JFMC Facilities Corporation	802,037	745,249
Juvenile diabetes	10,144	10,268
Lieberman Geriatric Health Center	26,365	28,026
Programs for the elderly	453,078	351,698
Response Center	404,498	365,944
Scholarships to Israel	566,250	519,673
Spertus College of Judaica	2,602,398	2,413,452
Time restricted - pledges receivable	12,839,629	14,594,082
Young Leadership Award	171,703	149,661
Other	1,641,236	1,055,604
	<u>\$ 66,058,064</u>	<u>\$ 61,755,994</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 16. Permanently Restricted Net Assets

The following is a summary of permanently restricted net assets held:

	2011	2010
Principal to be held in perpetuity, income earned to be used for the following purposes		
The ARK	\$ 91,587	\$ 91,587
Chicago Jewish Genetic Disorders	246,811	243,668
Beneficial interest in charitable trusts	26,622,030	22,955,800
General purposes	22,202,497	22,202,297
Hillels of Illinois	967,831	967,831
Jewish Child and Family Services	194,000	194,000
Programs for the elderly	1,829,500	1,829,500
Programs for the youth	779,145	779,145
Scholarships and financial assistance	8,177,285	8,177,285
Spertus College of Judaica	1,035,572	1,035,572
Other designated charities	515,115	515,114
	<u>\$ 62,661,373</u>	<u>\$ 58,991,799</u>

#### Note 17. Self-Insurance Programs

The Federation participates with certain of its affiliated agencies in self-insurance programs for health, dental and vision insurance. Funds contributed by the participating employers to the programs are held by (and related disbursements are made from) custodian funds of the Federation for such self-insurance programs. Payments by the Federation to the programs for the fiscal years ended June 30, 2011 and 2010 amounted to approximately \$467,000 and \$452,000, respectively.

All self-insurance programs of the Federation and its affiliated agencies include specific and aggregate stop loss insurance policies.

To comply with requirements of self-insured workers' compensation programs, the Federation maintains an amount available under a standby letter of credit of \$25,000 on behalf of the self-insurance programs.

#### Note 18. Retirement Plans

The Federation is an employer participant in two employee retirement plans, Federation Employees' Retirement Income Plan of the Jewish Federation of Metropolitan Chicago and Participating Employers (FERIP) and Federation Employees' Retirement Savings Trust Plan of the Jewish Federation of Metropolitan Chicago and Participating Employers (FERST).

FERIP is a self-administered, noncontributory defined benefit trusted plan, the funding of which is provided on the basis of normal cost as actuarially determined. FERIP is treated as a multi-employer plan for accounting purposes.

FERST is a defined contribution trusted plan, employer contributions to which are computed on the basis of a percentage of salary. The plans cover substantially all of the Federation's employees.

Annual contributions paid or accrued by the Federation are determined as a percentage of payroll and are at the direction of the Federation's board of directors based on recommendations from its Administration Committee. The amounts provided for fiscal years ended June 30, 2011 and 2010 were approximately \$465,000 and \$416,000, respectively.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 19. Loan Guarantees and Commitments

The Federation is contingently liable as the guarantor on the indebtedness incurred by eleven of its affiliated agencies and beneficiary organizations, all of whom receive allocations from Federation. The terms of these guarantees correlate with the terms of the related outstanding bonds and bank loans payable, which mature at various dates through 2039. At any time should any of the eleven affiliated agencies be over 90 days delinquent on its debt payment, the Federation will be obligated to perform under the guarantee primarily by making the required payments, including late fees and penalties. The following is a summary of the loan guarantees and commitments of other agencies that the Federation is contingently liable under as of June 30, 2011 and 2010:

	2011	2010
Arie Crown Hebrew Day School	\$ 916,331	\$ 959,537
Associated Talmud Torahs	1,233,194	1,330,667
CJE SeniorLife	44,563,571	42,940,000
JFMC Facilities Corporation	142,460,000	146,950,000
Hanna Sacks Bais Yaakov Girls High School	1,052,385	1,122,947
Hebrew Theological College	1,767,332	1,893,591
Ida Crown Jewish Academy	14,500,000	14,500,000
Jewish Community Centers	1,643,374	1,948,774
Jewish Vocational Service	708,000	790,910
Joan Dachs Bais Yaakov Elementary School	2,575,141	2,370,433
Mt. Sinai Hospital	18,418,296	18,125,406
	<u>\$ 229,837,624</u>	<u>\$ 232,932,265</u>

As of June 30, 2011 the guarantees are comprised of \$181,350,000 of tax-exempt bond financing and \$48,487,624 of bank financing (2010 – \$187,385,000 of tax-exempt bond financing and \$45,547,265 bank financing). All of the tax-exempt bond guarantees and most of the bank financing guarantees are secured by property purchased and developed with proceeds from the debt.

The Series C-7 bonds, which are guaranteed by the Federation and held by Facilities, were in default due to the termination of the Karmel Project (see Note 22) as stipulated in the bond covenants. Facilities received a waiver of default from US Bank, N.A. (the letter of credit provider) and the Federation was not obligated to perform under its guarantee.

#### Note 20. Funds Held as Custodian

A summary of funds held on behalf of others for which the Federation acts as custodian, is as follows:

	2011	2010
Charitable remainder and annuity trusts	\$ 18,869,867	\$ 18,968,399
Send a Kid to Israel Program reserve fund	4,080,818	4,197,451
Health, dental and vision insurance fund	2,097,653	2,461,796
Unemployment compensation reserve fund	269,538	269,538
Bar/Bat Mitzvah Registry	230,378	227,077
FEREP Loan Fund	84,182	72,183
	<u>\$ 25,632,436</u>	<u>\$ 26,196,444</u>

**Note 21. Deferred Compensation Agreements**

The Federation has entered into agreements with certain key employees that provide for annual payments of varying amounts per year for a term ranging from 10 years to life. These key employees vest in the deferred compensation upon reaching retirement age or specified years of service. The present value of the vested amount due to employees under the provisions of the agreements totaled approximately \$1,365,000 and \$1,424,000 as of June 30, 2011 and 2010, respectively, and is included in accounts payable and accrued expenses on the statements of financial position. In connection with these agreements, the Federation made payments of \$143,032 and \$142,070 during the years ended June 30, 2011 and 2010, respectively.

**Note 22. Escrow Deposits**

Escrow deposits and the respective liability represented deposits held by the Federation on units sold for a 219-unit Continuing Care Retirement Community (CCRC) in Deerfield, Illinois (the Karmel Project). The Karmel Project was being developed and managed by Facilities, which obtained \$30,000,000 of financing through a tax-exempt bond issue. Federation is guarantor of the bond debt and custodian of entry fee deposits (see Note 19). In fiscal year 2011 the Karmel Project was terminated and the deposits were refunded.

**Note 23. Subsequent Events**

The Federation has evaluated subsequent events for potential recognition and/or disclosure through December 15, 2011, the date the financial statements were available to be issued.

On July 1, 2011, the Federation transferred its pooled investment endowment portfolio to a newly formed limited liability company, the JFMC Pooled Endowment Portfolio, LLC (the Company). Pursuant to an agreement dated April 29, 2011, effective July 1, 2011, the Federation is the sole member of the Company and possesses management rights of the Company. For the fiscal years ended June 30, 2012 and subsequent the Company will be consolidated into the financial statements of the Federation.

The Company was organized for participation by charitable organizations pursuing Jewish philanthropic goals and for the principal purpose of investing in investments and managing and supervising such investments.