

# **Jewish Federation of Metropolitan Chicago**

Consolidated Financial Report  
June 30, 2014 and 2013

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## Independent Auditor's Report

To the Board of Directors  
Jewish Federation of Metropolitan Chicago

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Jewish Federation of Metropolitan Chicago (Federation) and subsidiaries which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Michael Reese Health Trust (Trust), a wholly-owned subsidiary, which statements reflect total assets constituting 8.7 percent and 9.2 percent, respectively, of consolidated total assets at June 30, 2014 and 2013, and total revenues constituting 5.9 percent and 3.6 percent, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Trust, is based solely on the report of the other auditors. 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 from material misstatement.

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

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

## Opinion

In our opinion, based on our audits and the report of the other auditor, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Federation of Metropolitan Chicago and subsidiaries as of June 30, 2014 and 2013, 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 LLP*

Chicago, Illinois  
December 30, 2014

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Financial Position  
June 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Custodian	Total All Funds 2014
<b>Assets</b>					
Cash and cash equivalents	\$ 5,807,056	\$ -	\$ -	\$ -	\$ 5,807,056
Investments	1,425,396,848	94,171,829	45,878,954	9,870,901	1,575,318,532
Overpayments and advances of appropriations	224,252	-	-	-	224,252
Pledges and other receivables	6,499,912	28,535,286	-	107,925	35,143,123
Due from Jewish United Fund of Metropolitan Chicago	8,126,360	-	-	-	8,126,360
Due from JFMC Facilities Corporation	27,011,259	-	-	-	27,011,259
Loans receivable - affiliated agencies and other beneficiaries	14,284,450	104,836	-	-	14,389,286
Other assets	267,976	-	-	-	267,976
Beneficial interest in charitable trusts	-	-	41,571,636	-	41,571,636
Real estate, net	734,340	-	-	-	734,340
Interfund accounts	2,944,591	(10,318,178)	7,589,470	(215,883)	-
	<u>\$ 1,491,297,044</u>	<u>\$ 112,493,773</u>	<u>\$ 95,040,060</u>	<u>\$ 9,762,943</u>	<u>\$ 1,708,593,820</u>

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Financial Position (Continued)**  
**June 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Custodian	Total All Funds 2014
<b>Liabilities and Net Assets</b>					
Liabilities					
Accounts payable and accrued expenses	\$ 8,568,148	\$ -	\$ -	\$ -	\$ 8,568,148
Appropriations payable	1,780,209	-	-	-	1,780,209
Subscriptions received in advance	1,345,973	-	-	-	1,345,973
Funds invested on behalf of Unitholders	224,757,260	-	-	-	224,757,260
Other liabilities	7,473,745	-	-	-	7,473,745
Support Foundations distributions payable	22,017,569	-	-	-	22,017,569
Interest rate swap liability	21,136,136	-	-	-	21,136,136
Loans payable	22,992,606	-	-	-	22,992,606
Bonds payable	9,315,000	-	-	-	9,315,000
Funds held for others	5,005,749	11,700,704	-	9,762,943	26,469,396
	<u>324,392,395</u>	<u>11,700,704</u>	<u>-</u>	<u>9,762,943</u>	<u>345,856,042</u>
Net Assets (Deficit)					
Unrestricted					
Noncontrolling interest in investments	127,629,291	-	-	-	127,629,291
Designated by the governing board for the following:					
Donor advised funds	146,274,828	-	-	-	146,274,828
Long-term investments	897,586,217	-	-	-	897,586,217
Land, building and equipment	(4,585,687)	-	-	-	(4,585,687)
Temporarily restricted	-	100,793,069	-	-	100,793,069
Permanently restricted	-	-	95,040,060	-	95,040,060
	<u>1,166,904,649</u>	<u>100,793,069</u>	<u>95,040,060</u>	<u>-</u>	<u>1,362,737,778</u>
	<u>\$ 1,491,297,044</u>	<u>\$ 112,493,773</u>	<u>\$ 95,040,060</u>	<u>\$ 9,762,943</u>	<u>\$ 1,708,593,820</u>

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Financial Position  
June 30, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Custodian	Total All Funds 2013
<b>Assets</b>					
Cash and cash equivalents	\$ 6,073,159	\$ -	\$ -	\$ -	\$ 6,073,159
Due from broker	2,684,058	-	-	-	2,684,058
Investments	1,235,212,941	80,245,069	42,909,578	7,270,299	1,365,637,887
Overpayments and advances of appropriations	54,312	-	-	-	54,312
Pledges and other receivables	7,206,374	11,173,693	50,000	162,785	18,592,852
Due from Jewish United Fund of Metropolitan Chicago	7,090,366	-	-	-	7,090,366
Due from JFMC Facilities Corporation	28,019,961	-	-	-	28,019,961
Loans receivable - affiliated agencies and other beneficiaries	14,300,523	104,836	-	-	14,405,359
Other assets	534,337	-	-	-	534,337
Beneficial interest in charitable trusts	-	-	30,511,927	-	30,511,927
Real estate, net	738,733	-	-	-	738,733
Interfund accounts	476,280	(8,739,233)	8,700,434	(437,481)	-
	<u>\$ 1,302,391,044</u>	<u>\$ 82,784,365</u>	<u>\$ 82,171,939</u>	<u>\$ 6,995,603</u>	<u>\$ 1,474,342,951</u>

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Financial Position (Continued)**  
**June 30, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Custodian	Total All Funds 2013
<b>Liabilities and Net Assets</b>					
Liabilities					
Accounts payable and accrued expenses	\$ 7,036,267	\$ -	\$ -	\$ -	\$ 7,036,267
Appropriations payable	1,712,825	-	-	-	1,712,825
Subscriptions received in advance	1,006,532	-	-	-	1,006,532
Funds invested on behalf of Unitholders	208,816,994	-	-	-	208,816,994
Other liabilities	5,916,374	-	-	-	5,916,374
Support Foundations distributions payable	27,477,502	-	-	-	27,477,502
Interest rate swap liability	24,013,599	-	-	-	24,013,599
Loans payable	20,905,000	-	-	-	20,905,000
Bonds payable	9,755,000	-	-	-	9,755,000
Funds held for others	5,291,275	11,131,863	-	6,995,603	23,418,741
	<u>311,931,368</u>	<u>11,131,863</u>	<u>-</u>	<u>6,995,603</u>	<u>330,058,834</u>
Net Assets (Deficit)					
Unrestricted					
Noncontrolling interest in investments	107,540,756	-	-	-	107,540,756
Designated by the governing board for the following:					
Donor advised funds	123,093,965	-	-	-	123,093,965
Long-term investments	764,406,252	-	-	-	764,406,252
Land, building and equipment	(4,581,297)	-	-	-	(4,581,297)
Temporarily restricted	-	71,652,502	-	-	71,652,502
Permanently restricted	-	-	82,171,939	-	82,171,939
	<u>990,459,676</u>	<u>71,652,502</u>	<u>82,171,939</u>	<u>-</u>	<u>1,144,284,117</u>
	<u>\$ 1,302,391,044</u>	<u>\$ 82,784,365</u>	<u>\$ 82,171,939</u>	<u>\$ 6,995,603</u>	<u>\$ 1,474,342,951</u>

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Activities  
Year Ended June 30, 2014**

	Unrestricted					Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 2014
	Undesignated	Noncontrolling Interest in Investments	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)	\$ 3,317,217	\$ -	\$ -	\$ 50,917,166	\$ -	\$ 54,234,383	\$ 23,813,255	\$ 9,751,545	\$ 87,799,183
Contributions designated for donor advised funds	-	-	31,104,157	-	-	31,104,157	-	-	31,104,157
Distributions from beneficial interest in charitable trusts to support operations	757,723	-	-	-	-	757,723	-	-	757,723
Total received directly	4,074,940	-	31,104,157	50,917,166	-	86,096,263	23,813,255	9,751,545	119,661,063
Indirect public support									
Allocations by federated fund-raising organizations									
Jewish United Fund of Metropolitan Chicago	34,526,722	-	-	-	-	34,526,722	-	-	34,526,722
United Way (includes Chicago and Suburban)	1,028,325	-	-	-	-	1,028,325	-	-	1,028,325
Total received indirectly	35,555,047	-	-	-	-	35,555,047	-	-	35,555,047
Total public support	39,629,987	-	31,104,157	50,917,166	-	121,651,310	23,813,255	9,751,545	155,216,110
Grants from government agencies and other organizations									
Refugee and Immigrant Social Service Program income	4,628,123	-	-	-	-	4,628,123	-	-	4,628,123
Other	136,700	-	-	-	-	136,700	-	-	136,700
Total grants from government agencies and other organizations	4,764,823	-	-	-	-	4,764,823	-	-	4,764,823
Miscellaneous revenue	2,033,027	-	-	1,239,801	2,211	3,275,039	6,512	-	3,281,551
Total directly related revenue	6,797,850	-	-	1,239,801	2,211	8,039,862	6,512	-	8,046,374
Other revenue									
Investment income (net of related fees and interest expense of approximately \$4,077,000)	331,415	-	1,734,400	14,266,572	-	16,332,387	19,017	-	16,351,404
Gain on investment activity (net)	-	-	14,442,589	114,157,068	-	128,599,657	14,100,471	-	142,700,128
Unrealized gain on beneficial interest in charitable trusts	-	-	-	-	-	-	-	3,116,576	3,116,576
Unrealized gain on fair value of swap arrangements	-	-	-	2,754,928	-	2,754,928	-	-	2,754,928
	331,415	-	16,176,989	131,178,568	-	147,686,972	14,119,488	3,116,576	164,923,036
Transfer of net assets released from restrictions									
Satisfaction of restrictions	6,832,756	-	40,750	1,798,734	-	8,672,240	(8,672,240)	-	-
Total revenue	\$ 53,592,008	\$ -	\$ 47,321,896	\$ 185,134,269	\$ 2,211	\$ 286,050,384	\$ 29,267,015	\$ 12,868,121	\$ 328,185,520

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Activities (Continued)  
Year Ended June 30, 2014**

	Undesignated	Noncontrolling Interest in Investments	Unrestricted			Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 2014
			Donor Advised Funds	Long-Term Investments	Land, Building and Equipment				
<b>Expenses</b>									
Appropriations and distributions									
Appropriations	\$ 39,014,332	\$ -	\$ -	\$ -	\$ -	\$ 39,014,332	\$ -	\$ -	\$ 39,014,332
Distributions	6,832,756	-	26,262,098	34,405,760	-	67,500,614	-	-	67,500,614
Grants	3,297,412	-	-	5,466,407	-	8,763,819	-	-	8,763,819
Other	-	-	-	225,316	-	225,316	-	-	225,316
<b>Total appropriations, distributions and grants</b>	<b>49,144,500</b>	<b>-</b>	<b>26,262,098</b>	<b>40,097,483</b>	<b>-</b>	<b>115,504,081</b>	<b>-</b>	<b>-</b>	<b>115,504,081</b>
Functional expenses									
Management and Administration	4,797,249	-	-	2,092,996	-	6,890,245	-	-	6,890,245
Program Services	6,321,878	-	-	1,018,189	-	7,340,067	-	-	7,340,067
<b>Total functional expenses</b>	<b>11,119,127</b>	<b>-</b>	<b>-</b>	<b>3,111,185</b>	<b>-</b>	<b>14,230,312</b>	<b>-</b>	<b>-</b>	<b>14,230,312</b>
Bad debt expense	-	-	-	-	-	-	79,400	-	79,400
Depreciation	-	-	-	-	6,601	6,601	-	-	6,601
	-	-	-	-	6,601	6,601	79,400	-	86,001
<b>Total expenses</b>	<b>60,263,627</b>	<b>-</b>	<b>26,262,098</b>	<b>43,208,668</b>	<b>6,601</b>	<b>129,740,994</b>	<b>79,400</b>	<b>-</b>	<b>129,820,394</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(6,671,619)</b>	<b>-</b>	<b>21,059,798</b>	<b>141,925,601</b>	<b>(4,390)</b>	<b>156,309,390</b>	<b>29,187,615</b>	<b>12,868,121</b>	<b>198,365,126</b>
Other changes in net assets									
Transfer to fund deferred compensation	390,391	-	-	(390,391)	-	-	-	-	-
Transfer between funds	-	-	2,121,065	(2,313,408)	-	(192,343)	192,343	-	-
Transfer from endowment funds to support operations	6,281,228	-	-	(6,041,837)	-	239,391	(239,391)	-	-
<b>Increase (decrease) in net assets - JFMC</b>	<b>-</b>	<b>-</b>	<b>23,180,863</b>	<b>133,179,965</b>	<b>(4,390)</b>	<b>156,356,438</b>	<b>29,140,567</b>	<b>12,868,121</b>	<b>198,365,126</b>
Noncontrolling interest in investments	-	20,088,535	-	-	-	20,088,535	-	-	20,088,535
<b>Increase (decrease) in net assets</b>	<b>-</b>	<b>20,088,535</b>	<b>23,180,863</b>	<b>133,179,965</b>	<b>(4,390)</b>	<b>176,444,973</b>	<b>29,140,567</b>	<b>12,868,121</b>	<b>218,453,661</b>
Net assets (deficit):									
Beginning of fiscal year	-	107,540,756	123,093,965	764,406,252	(4,581,297)	990,459,676	71,652,502	82,171,939	1,144,284,117
End of fiscal year	\$ -	\$ 127,629,291	\$ 146,274,828	\$ 897,586,217	\$ (4,585,687)	\$ 1,166,904,649	\$ 100,793,069	\$ 95,040,060	\$ 1,362,737,778

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Activities  
Year Ended June 30, 2013**

	Unrestricted					Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 2013
	Undesignated	Noncontrolling	Donor Advised Funds	Designated					
		Interest in Investments		Long-Term Investments	Land, Building and Equipment				
Revenue									
Public support									
Direct public support									
Contributions (inclusive of distributions from certain restricted and donor advised funds)	\$ 3,065,875	\$ -	\$ -	\$ 49,333,117	\$ -	\$ 52,398,992	\$ 4,933,599	\$ 558,113	\$ 57,890,704
Contributions designated for donor advised funds	-	-	63,352,066	-	-	63,352,066	-	-	63,352,066
Distributions from beneficial interest in charitable trusts to support operations	850,043	-	-	-	-	850,043	-	-	850,043
Total received directly	3,915,918	-	63,352,066	49,333,117	-	116,601,101	4,933,599	558,113	122,092,813
Indirect public support									
Allocations by federated fund-raising organizations									
Jewish United Fund of Metropolitan Chicago	32,118,007	-	-	-	-	32,118,007	-	-	32,118,007
United Way (includes Chicago and Suburban)	1,277,821	-	-	-	-	1,277,821	-	-	1,277,821
Total received indirectly	33,395,828	-	-	-	-	33,395,828	-	-	33,395,828
Total public support	37,311,746	-	63,352,066	49,333,117	-	149,996,929	4,933,599	558,113	155,488,641
Grants from government agencies and other organizations									
Refugee and Immigrant Social Service Program income	4,478,117	-	-	-	-	4,478,117	-	-	4,478,117
Other	167,645	-	-	-	-	167,645	-	-	167,645
Total grants from government agencies and other organizations	4,645,762	-	-	-	-	4,645,762	-	-	4,645,762
Miscellaneous revenue	3,328,351	-	-	-	-	3,328,351	-	-	3,328,351
Total directly related revenue	7,974,113	-	-	-	-	7,974,113	-	-	7,974,113
Other revenue									
Investment income (net of related fees and interest expense of approximately \$3,707,000)	261,685	-	682,988	5,820,868	-	6,765,541	226,527	-	6,992,068
Gain on investment activity (net)	-	-	5,162,578	67,240,850	-	72,403,428	7,911,999	-	80,315,427
Unrealized gain on beneficial interest in charitable trusts	-	-	-	-	-	-	-	1,464,732	1,464,732
Unrealized gain on fair value of swap arrangements	-	-	-	12,408,180	-	12,408,180	-	-	12,408,180
Inherent contribution	-	-	-	155,999,424	-	155,999,424	-	-	155,999,424
	261,685	-	5,845,566	241,469,322	-	247,576,573	8,138,526	1,464,732	257,179,831
Transfer of net assets released from restrictions									
Satisfaction of restrictions	5,946,332	-	5,126,846	1,309,216	-	12,382,394	(12,382,394)	-	-
Total revenue	\$ 51,493,876	\$ -	\$ 74,324,478	\$ 292,111,655	\$ -	\$ 417,930,009	\$ 689,731	\$ 2,022,845	\$ 420,642,585

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Activities (Continued)  
Year Ended June 30, 2013**

	Unrestricted					Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 2013
	Undesignated	Noncontrolling Interest in Investments	Donor Advised Funds	Designated Long-Term Investments	Land, Building and Equipment				
<b>Expenses</b>									
Appropriations and distributions									
Appropriations	\$ 38,176,523	\$ -	\$ -	\$ -	\$ -	\$ 38,176,523	\$ -	\$ -	\$ 38,176,523
Distributions	5,946,332	-	30,803,434	42,930,517	-	79,680,283	-	-	79,680,283
Grants	3,156,141	-	-	4,127,015	-	7,283,156	-	-	7,283,156
Other	-	-	-	289,239	-	289,239	273,717	-	562,956
<b>Total appropriations, distributions and grants</b>	<b>47,278,996</b>	<b>-</b>	<b>30,803,434</b>	<b>47,346,771</b>	<b>-</b>	<b>125,429,201</b>	<b>273,717</b>	<b>-</b>	<b>125,702,918</b>
Functional expenses									
Management and Administration	4,242,877	-	-	1,451,304	-	5,694,181	-	-	5,694,181
Program Services	6,316,087	-	-	-	-	6,316,087	-	-	6,316,087
<b>Total functional expenses</b>	<b>10,558,964</b>	<b>-</b>	<b>-</b>	<b>1,451,304</b>	<b>-</b>	<b>12,010,268</b>	<b>-</b>	<b>-</b>	<b>12,010,268</b>
Bad debt expense	-	-	-	-	-	-	342,636	-	342,636
Depreciation	-	-	-	-	14,666	14,666	-	-	14,666
	-	-	-	-	14,666	14,666	342,636	-	357,302
<b>Total expenses</b>	<b>57,837,960</b>	<b>-</b>	<b>30,803,434</b>	<b>48,798,075</b>	<b>14,666</b>	<b>137,454,135</b>	<b>616,353</b>	<b>-</b>	<b>138,070,488</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(6,344,084)</b>	<b>-</b>	<b>43,521,044</b>	<b>243,313,580</b>	<b>(14,666)</b>	<b>280,475,874</b>	<b>73,378</b>	<b>2,022,845</b>	<b>282,572,097</b>
Other changes in net assets									
Transfer to fund deferred compensation	155,180	-	-	(155,180)	-	-	-	-	-
Transfer from endowment funds to support operations	6,188,904	-	-	(5,954,834)	-	234,070	(234,070)	-	-
<b>Increase (decrease) in net assets - JFMC</b>	<b>-</b>	<b>-</b>	<b>43,521,044</b>	<b>237,203,566</b>	<b>(14,666)</b>	<b>280,709,944</b>	<b>(160,692)</b>	<b>2,022,845</b>	<b>282,572,097</b>
Noncontrolling interest in investments	-	8,224,655	-	-	-	8,224,655	-	-	8,224,655
<b>Increase (decrease) in net assets</b>	<b>-</b>	<b>8,224,655</b>	<b>43,521,044</b>	<b>237,203,566</b>	<b>(14,666)</b>	<b>288,934,599</b>	<b>(160,692)</b>	<b>2,022,845</b>	<b>290,796,752</b>
Net assets (deficit):									
Beginning of fiscal year	-	99,316,101	79,572,921	527,202,686	(4,566,631)	701,525,077	71,813,194	80,149,094	853,487,365
End of fiscal year	\$ -	\$ 107,540,756	\$ 123,093,965	\$ 764,406,252	\$ (4,581,297)	\$ 990,459,676	\$ 71,652,502	\$ 82,171,939	\$ 1,144,284,117

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Functional Expenses  
Year Ended June 30, 2014**

	Management and Administration	Program Services	Total All Funds 2014
Functional expenses			
Salaries	\$ 3,643,447	\$ 1,074,302	\$ 4,717,749
Employee health and retirement benefits	153,543	113,948	267,491
Payroll taxes	102,362	75,965	178,327
	<u>3,899,352</u>	<u>1,264,215</u>	<u>5,163,567</u>
Grants	-	4,994,042	4,994,042
Professional fees	626,380	496,726	1,123,106
Occupancy	303,614	186,536	490,150
Telephone	219,514	21,236	240,750
Insurance	126,572	22,540	149,112
Conferences, conventions, meetings and major trips	104,889	49,579	154,468
Information technology	349,098	78,942	428,040
Outside printing and design	11,599	71,203	82,802
Supplies	19,479	67,035	86,514
Staff expenses	42,893	28,530	71,423
Postage and shipping	43,228	33,111	76,339
Membership dues	5,325	201	5,526
Subscriptions and reference publications	1,447	468	1,915
Bank and credit card fees	130,846	-	130,846
Miscellaneous	1,006,009	25,703	1,031,712
	<u>1,006,009</u>	<u>25,703</u>	<u>1,031,712</u>
Total functional expenses	<u>\$ 6,890,245</u>	<u>\$ 7,340,067</u>	<u>\$ 14,230,312</u>

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Functional Expenses  
Year Ended June 30, 2013**

	Management and Administration	Program Services	Total All Funds 2013
Functional expenses			
Salaries	\$ 3,038,432	\$ 1,087,935	\$ 4,126,367
Employee health and retirement benefits	263,632	98,119	361,751
Payroll taxes	175,754	65,412	241,166
	<u>3,477,818</u>	<u>1,251,466</u>	<u>4,729,284</u>
Grants	-	4,037,490	4,037,490
Professional fees	552,722	354,862	907,584
Occupancy	250,099	147,705	397,804
Telephone	236,334	18,954	255,288
Insurance	110,640	-	110,640
Conferences, conventions, meetings and major trips	142,993	31,442	174,435
Information technology	313,899	28,941	342,840
Outside printing and design	17,269	65,514	82,783
Supplies	20,330	75,004	95,334
Staff expenses	21,466	19,948	41,414
Postage and shipping	8,998	34,097	43,095
Membership dues	3,652	164	3,816
Subscriptions and reference publications	1,771	223,207	224,978
Bank and credit card Fees	119,663	-	119,663
Miscellaneous	416,527	27,293	443,820
	<u>\$ 5,694,181</u>	<u>\$ 6,316,087</u>	<u>\$ 12,010,268</u>
Total functional expenses			

See Notes to Consolidated Financial Statements.

**Jewish Federation of Metropolitan Chicago**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

	2014	2013
<b>Cash Flows from Operating Activities</b>		
Increase in net assets - JFMC	\$ 198,365,126	\$ 282,572,097
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	6,601	14,666
Net realized gain on investments	(35,456,191)	(47,534,465)
Net change in unrealized gain on investments	(107,243,937)	(32,780,962)
Change in unrealized gain on fair value of swap arrangements	(2,754,928)	(12,408,180)
Increase in beneficial interest in charitable trusts	(11,059,709)	(1,464,732)
Permanently restricted contributions	(9,751,545)	(558,112)
Inherent contribution	-	(155,999,424)
Changes in:		
Overpayments and advances of appropriations	(169,940)	(9,312)
Pledges and other receivables	(16,672,806)	7,729,162
Due from Jewish United Fund and JFMC Facilities	(27,292)	(558,079)
Subscriptions received in advance	339,441	(4,273,913)
Other assets	266,361	(41,296)
Accounts payable, accrued expenses and other liabilities	3,089,252	(386,016)
Appropriations payable	67,384	(227,942)
Support Foundations - distributions payable	(5,459,933)	6,409,188
Funds held on behalf of others	3,050,655	(1,629,299)
<b>Net cash provided by operating activities</b>	<b>16,588,539</b>	<b>38,853,381</b>
<b>Cash Flows from Investing Activities</b>		
Acquisition of Family Support Foundation net assets	-	155,999,424
Net purchases of investments	(30,951,713)	(188,875,116)
Purchase of capital assets	(2,211)	-
Change in due from broker	2,684,058	(2,684,058)
Decrease in loans receivable from affiliated agencies and other beneficiaries	16,073	364,734
<b>Net cash used in investing activities</b>	<b>(28,253,793)</b>	<b>(35,195,016)</b>
<b>Cash Flows from Financing Activities</b>		
Permanently restricted contributions	9,751,545	558,112
Net proceeds (payments) on loans payable	2,087,606	(3,448,000)
Proceeds from bond payable	-	4,740,000
Payments on bonds payable	(440,000)	(5,140,000)
<b>Net cash provided by (used in) financing activities</b>	<b>11,399,151</b>	<b>(3,289,888)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(266,103)</b>	<b>368,477</b>
<b>Cash and cash equivalents:</b>		
Beginning of year	6,073,159	5,704,682
End of year	<b>\$ 5,807,056</b>	<b>\$ 6,073,159</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<b>\$ 377,366</b>	<b>\$ 128,433</b>
<b>Supplemental Schedule of Noncash Operating and Financing Activities</b>		
Change in tracking unit and noncontrolling interest investments	<b>\$ 36,028,801</b>	<b>\$ 34,183,367</b>
Unitholders investment in PEP (see Note 2)	<b>\$ 224,757,260</b>	<b>\$ 208,816,994</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 (JFMC) 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 JFMC 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 JFMC and the Jewish Federations of North America). For the fiscal years ended June 30, 2014 and 2013, JFMC received allocations of \$34,526,722 and \$32,118,007, respectively, from the 2013 and 2012 Jewish United Fund campaigns.

These consolidated financial statements also include the accounts and activities of the following entities:

*JFMC Pooled Endowment Portfolio, LLC (PEP)* - JFMC holds its pooled investment endowment portfolio in the JFMC Pooled Endowment Portfolio, LLC (see Note 2). JFMC is the manager and administrator of the PEP and is also the majority owner of the PEP. As manager, JFMC owned 85.04 and 85.40 percent of the PEP as of June 30, 2014 and 2013, respectively.

*Michael Reese Health Trust (Trust)* – The Michael Reese Health Trust is a private charitable foundation whose mission is to support and encourage charitable, educational, and research activities related to health care in the Chicago metropolitan area. JFMC is the sole member of the Trust.

*Support Foundations* – Support Foundations are separate, nonprofit corporations which are funded by various donors to support the broad charitable purpose of JFMC (see Note 3). JFMC has both control of the board of directors and an economic interest in the Support Foundations and, accordingly, the Support Foundations have been consolidated into JFMC's financial statements. On March 5, 2013, JFMC obtained majority voting membership and economic interest in a family support foundation whose numbers are included in these consolidated financial statements.

*The Community Foundation for Jewish Education of Metropolitan Chicago (CFJE)* – CFJE is a nonprofit corporation whose mission is to foster, promote, support, develop, encourage and maintain educational purposes and functions of JFMC. Effective for fiscal year 2014, JFMC is the sole member of CFJE and controls the Board of Directors as JFMC has the authority to elect all directors.

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

**Basis of accounting:** The accompanying consolidated financial statements have been prepared on the accrual 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, JFMC's consolidated financial statements consolidate the activities of the PEP, Trust, Support Foundations, and CFJE (collectively referred to as the Federation). All inter-organizational balances and transactions have been eliminated in consolidation.

**Basis of presentation:** The Federation follows the accounting guidance on financial statements of not-for-profit organizations, which 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:

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

**Unrestricted net assets:** Net assets that are not subject to donor-imposed restrictions include 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 net 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.

**Noncontrolling interest:** Noncontrolling interest represents the portion of equity in the PEP owned by four other non-profit organizations not affiliated with the Federation. The profit or loss derived from the performance of the PEP is allocated to all members of the PEP including the noncontrolling interest as reflected in the consolidated statements of activities. Noncontrolling interest on the accompanying consolidated financial statements relates to the minority members' 14.96 percent share of the PEP.

**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, the amounts of which are not currently determinable, and are recorded as received.

**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 are reported at fair value. 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 for a donor's unconditional promise to give to the Federation. The allowance for doubtful pledges is based on management's estimate of the collectability of identified receivables (see Note 7).

Pledges receivable are also recorded net of a discount to present value applied to the long-term portion of any multi-year pledge. The discount is amortized over the term of the pledge, and amortization is recorded as contribution revenue on the consolidated statement of activities.

## 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)**

Other receivables primarily consist of government grants receivable and miscellaneous receivables which are expected to be collected in fiscal year 2015. Based on historical experience and an analysis of specific accounts, management has determined that no allowance for doubtful accounts is necessary for other receivables.

**JFMC Facilities Corporation (Facilities):** Due from Facilities (a special purpose entity) consists primarily of amounts relating to bond financing and advances to meet cash flow requirements. 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, 2014 and 2013 was \$490,150 and \$397,804, respectively.

**Beneficial interest in charitable trusts:** The Federation has recorded as an asset its beneficial interest in several irrevocable charitable trusts. Distributions received from the charitable trusts are recorded as unrestricted operating revenue.

**Subscriptions received in advance:** This liability consists of cash received from members and/or Tracking Unit holders (see Note 2) that contributed to the PEP during the year to be effective for the following fiscal year.

**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. This liability is included in the funds held for others on the consolidated statements of financial position. The contributed funds for charitable gift annuities and charitable remainder trusts are recorded on the date the agreement or trust is recognized. Charitable gift annuities and charitable remainder trusts received for the benefit of third-party beneficiaries are recorded at fair value in the Custodian funds (see Note 22).

**Donor advised funds:** Individuals may establish donor advised funds, whereby each fund and its related earnings may be distributed to charities recommended by the donor, subject to the approval of the Federation. Donor advised funds are classified as unrestricted net assets.

**Donated services:** No amounts have been reflected herein for donated services because they do not meet the defined requirements for inclusion in the consolidated 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 program expenses and grant revenue on the consolidated statements of activities.

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

**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 consolidated statements of financial position due to the short term maturity of these assets. The carrying amounts reflected in the consolidated 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.

**Derivative financial instruments:** Interest rate swap arrangements are recognized as either an asset or liability at fair value in the consolidated statements of financial position, with changes in fair value reported as net unrealized losses or gains in other revenue on the consolidated statements of activities. The Federation does not consider any derivative instruments to be hedging instruments in accordance with hedge accounting guidance.

**Income taxes:** JFMC, its Support Foundations, CFJE, and the Trust, Illinois nonprofit corporations, are 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 was refunded \$54,863 of income tax payments on unrelated business income during fiscal year 2014. The Federation paid \$683,300 of income taxes on unrelated business income during fiscal year 2013.

The PEP, a Delaware LLC, is not subject to federal income tax because its income and losses are includable in the tax returns of its members. The PEP may be required to file returns in various state and local jurisdictions as a result of its operations and the residency of its members.

The Support Foundations, CFJE, and the Trust are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Certain Support Foundations and the Trust are subject to federal excise tax based on net investment income. They are also subject to unrelated business income which is derived from certain investments.

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, 2014 and 2013, there were no unrecognized tax benefits identified or recorded as liabilities.

JFMC and certain Support Foundations file forms 990 and 990-T in the U.S. federal jurisdiction and the State of Illinois. The remaining Support Foundations file form 990 and the Trust files form 990-PF in the U.S. federal jurisdiction and the State of Illinois. JFMC, the Support Foundations, and the Trust are generally no longer subject to examination by the Internal Revenue Service for years before 2011.

**Functional expenses:** Operating expenses directly identified with a functional area are charged to that area and, where those expenses affect more than one area, they are allocated based on specific identification or estimates made by management.

## 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)

**Reclassifications:** Certain items for fiscal year 2013 have been reclassified to conform to fiscal year 2014 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.

#### Note 2. JFMC Pooled Endowment Portfolio, LLC

The PEP is a Delaware limited liability company that was organized by JFMC on April 29, 2011 and commenced operations on July 1, 2011 upon the transfer of investments and equity from the Federation (the Manager). The PEP was created to serve as an endowment investment solution for charitable organizations pursuing Jewish philanthropic goals and provides access to professional investment management, administration and reporting for its members. The PEP may purchase, hold or sell investments directly or through one or more vehicles formed to facilitate the purchase, holding or sale of such investments, including one or more master funds or other entities formed for tax, administrative or operational reasons.

Each member of the PEP has a direct ownership interest in the underlying assets of the PEP and is required to be a not-for-profit organization. The minimum initial investment required to subscribe for an interest in the PEP is \$1,000,000 and the minimum additional investment required of investors is \$100,000. The Manager may, in its sole discretion, accept subscriptions for a lesser amount or establish different minimum amounts in the future. Effective April 1, 2013, the Manager may accept subscriptions as of the first business day of each month. Prior to April 1, 2013, subscriptions were only accepted on the first business day of each calendar quarter. The Manager, in its sole discretion, may accept or reject, in whole or in part, any subscription.

As defined in the LLC agreement, withdrawals can be made by members on a monthly basis subject to certain limitations if the withdrawal request exceeds 40 percent of a member's account balance. For withdrawals exceeding 40 percent of a member's account, 50 percent of the withdrawal is paid in the current month and the remaining balance is paid over a five year period. Members are required to provide the Manager with written notice of withdrawal requests by the 15<sup>th</sup> of each month. Prior to April 1, 2013, withdrawals were only permitted on a quarterly basis.

The outside members' equity in the PEP was \$127,629,291 and \$107,540,756 as of June 30, 2014 and 2013, respectively, which is reflected as noncontrolling interest in investments on the consolidated statements of financial position.

JFMC also offers contract rights (Tracking Units) to certain qualified investors (Unitholders) who do not meet the requirements for direct ownership interest in the PEP. By purchasing Tracking Units, a Unitholder has the option of participating in JFMC's investment in the PEP. The Unitholders held \$224,757,260 and \$208,816,994 of JFMC's investment in the PEP as of June 30, 2014 and 2013, respectively.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 2. JFMC Pooled Endowment Portfolio, LLC (Continued)

Effective April 1, 2013, subscriptions for Tracking Units are accepted as of the first business day of each month, with at least five calendar days' written notice prior to the first day of the month. Prior to April 1, 2013, subscriptions were only accepted on the first day of each calendar quarter. The minimum initial investment for Tracking Units is \$1,000,000, and the minimum additional investment required is \$100,000. The number and value of Tracking Units purchased is determined by the Manager, in its sole discretion, based on the value of the PEP as of the date the Tracking Units are purchased and in accordance with the valuation policies and procedures set forth in the PEP's governing documents.

#### Note 3. Support Foundations

At June 30, 2014 and 2013, Support Foundations are consolidated within the Federation's financial statements. The Support Foundation assets are classified as unrestricted and their revenue and expenses are reported in the "long-term investments" column on the consolidated statements of activities. The following table presents the activity of these Support Foundations.

	2014	2013
Assets		
Investments	<u>\$ 591,131,218</u>	<u>\$ 495,817,853</u>
Liabilities		
Distributions payable	\$ 22,017,569	\$ 27,477,502
Accrued expenses	12,350	143,120
	<u>22,029,919</u>	<u>27,620,622</u>
Net assets	<u>569,101,299</u>	<u>468,197,231</u>
	<u>\$ 591,131,218</u>	<u>\$ 495,817,853</u>
Revenues		
Contributions	\$ 48,863,569	\$ 40,019,706
Inherent contribution	-	155,999,424
Investment income	12,183,024	3,397,307
Gain on investment activity, net	65,826,983	37,769,039
Other income	-	190,269
	<u>126,873,576</u>	<u>237,375,745</u>
Expenses		
Distributions	25,173,924	33,115,240
Other expenses	795,584	531,333
	<u>25,969,508</u>	<u>33,646,573</u>
Increase in net assets	<u>\$ 100,904,068</u>	<u>\$ 203,729,172</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 4. Acquisition of Supporting Foundation

Effective March 5, 2013, the Federation became the majority voting member of a family support foundation which is a charitable organization established to foster, promote, support, develop, encourage and maintain the broad charitable, educational or religious purposes or functions of the Federation. The fair value of assets acquired exceeded liabilities assumed resulting in an inherent contribution of \$155,999,424, in the consolidated statement of activities for the year ended June 30, 2013.

Summarized opening statement of financial position information for the family support foundation is as shown below:

Cash	\$ 5,860,166
Investments	150,139,258
Unrestricted net assets	<u>\$ 155,999,424</u>

The operating results of the family supporting foundation for the period March 5, 2013 through June 30, 2013 included total operating loss of \$415,172 related to a grant expenditure and investment activity.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 5. Appropriations

Appropriations to JFMC's affiliated agencies and other beneficiaries, which are approved by the Board of Directors, for fiscal years ended June 30, 2014 and 2013 were \$39,014,332 and \$38,176,523, respectively.

The following table presents changes in the appropriations overpayments and advances and liability accounts for the fiscal years ended June 30, 2014 and 2013.

Balance, July 1, 2012	
Overpayments and advances	\$ (45,000)
Liability	1,940,766
	<u>1,895,766</u>
Changes during fiscal year 2013	
Appropriations	
Affiliated agencies	23,077,486
Others	15,099,037
	<u>38,176,523</u>
Payments and reservations (net)	<u>38,413,776</u>
Net changes	<u>\$ (237,253)</u>
Balance, June 30, 2013	
Overpayments and advances	\$ (54,312)
Liability	1,712,825
	<u>\$ 1,658,513</u>
Changes during fiscal year 2014	
Appropriations	
Affiliated agencies	\$ 23,416,566
Others	15,597,766
	<u>39,014,332</u>
Payments and reservations (net)	<u>39,116,888</u>
Net changes	<u>\$ (102,556)</u>
Balance, June 30, 2014	
Overpayments and advances	\$ (224,252)
Liability	1,780,209
	<u>\$ 1,555,957</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 5. Appropriations (Continued)

In accordance with the Principles of Affiliation Agreements between JFMC and its affiliated agencies, the affiliated agencies may not negotiate any merger or material transfer of their assets without approval of JFMC 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 JFMC.

#### Note 6. Shared Costs

Pursuant to an arrangement between the Jewish United Fund and JFMC (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 JFMC for its respective share thereof. Such "common expenses" are allocated among the two organizations.

For fiscal years ended June 30, 2014 and 2013, Jewish United Fund has charged JFMC the net amounts of \$3,227,436 and \$3,163,028, respectively.

#### Note 7. Pledges and Other Receivables

Temporarily restricted pledges receivable as of June 30, 2014 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, Joan Dachs Bais Yaakov Elementary School Project Endowment Fund, New Headquarters Project Endowment Fund (30 South Wells) and Ida Crown Jewish Academy Project Endowment Fund. All pledges expected to be collected after June 30, 2015 are discounted using rates ranging from 1.5 - 4.4 percent. Pledges are payable as follows:

2015	\$ 6,525,793
2016	6,416,180
2017	6,749,028
2018	3,981,978
2019	2,890,317
Thereafter	<u>3,100,632</u>
	29,663,928
Allowance for uncollectible pledges	(849,586)
Discount to present value	<u>(1,251,021)</u>
	<u>\$ 27,563,321</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 7. Pledges and Other Receivables (Continued)

Other receivables (unrestricted, temporarily restricted, and custodian) of \$7,579,802 are primarily comprised of an amount due from an affiliated agency for its share of the interest rate swap liability of \$2,453,423 (see Note 15), grants receivable of approximately \$2,300,000 and other miscellaneous receivables.

#### Note 8. Distributions to Beneficiaries

Distributions are paid to beneficiaries from board designated net assets (donor advised and other donor directed 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:

	2014	2013
Distributions from unrestricted undesignated net assets represented by transfer of net assets released from restriction		
The ARK	\$ 226,765	\$ 41,849
CJE SeniorLife	1,420,518	195,764
Disaster Relief	456,117	496,542
Financial assistance for hearing impaired	36,019	34,634
Financial assistance for students	421,777	1,083,142
Hillel Torah North Suburban Day School	441,000	405,651
Ida Crown Jewish Academy	589,916	603,541
Jewish Aid for Israel	275,000	275,000
Jewish Child and Family Services	94,708	92,723
Jewish Community Centers of Chicago	31,216	31,216
Jewish Day Schools	1,505,535	1,486,349
Jewish Vocational Services	40,872	42,572
JFMC Facilities Corporation	6,608	6,880
Leadership training	19,332	19,589
Mt. Sinai Hospital Medical Center of Chicago	400,000	-
Special education project	99,177	451,035
Spertus College of Judaica	245,301	243,240
Trips to Israel	61,220	62,592
University Hillel buildings and Hillel programs	227,777	148,901
Youth leadership programs	86,371	78,796
Various other charities	147,527	146,316
Represented by satisfaction of donor restrictions, forward	<u>\$ 6,832,756</u>	<u>\$ 5,946,332</u>

**Jewish Federation of Metropolitan Chicago**

**Notes to Consolidated Financial Statements**

**Note 8. Distributions to Beneficiaries (Continued)**

	2014	2013
Distributions from unrestricted undesignated net assets represented by transfer of net assets released from restriction, forwarded	\$ 6,832,756	\$ 5,946,332
Designated		
Donor advised funds		
Federation	819,610	5,761,653
Jewish United Fund	5,467,068	5,324,816
Other philanthropic organizations	19,975,420	19,716,965
	<u>26,262,098</u>	<u>30,803,434</u>
Other		
The ARK	219,198	225,417
Associated Talmud Torahs	10,000	10,416
Camping program for the aged	8,496	8,852
CJE SeniorLife	1,287,958	1,291,389
Emergency and special projects	275,847	323,069
Financial assistance for students	55,022	51,069
Hate crime victims	5,000	2,000
Jewish Child and Family Services	1,259,447	921,983
Jewish Community Centers of Chicago	1,448,914	1,471,774
Jewish refugee and immigrant programs	64,828	61,924
Jewish United Fund	108,516	382,814
Jewish Vocational Services	1,330	1,386
Jewish Women's Foundation	426,756	416,348
JFMC Facilities Corporation	2,263,842	2,240,237
Resident camp scholarship program	12,520	12,708
Scholar in residence	9,012	9,388
Spertus College of Judaica	850,156	849,582
University Hillel buildings and Hillel programs	541,476	730,471
Various other charities	383,518	804,450
Distributions paid from Support Foundations to various charities	25,173,924	33,115,240
	<u>34,405,760</u>	<u>42,930,517</u>
Total designated funds	<u>60,667,858</u>	<u>73,733,951</u>
Total	<u>\$ 67,500,614</u>	<u>\$ 79,680,283</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 9. Loans Receivable - Affiliated Agencies and Other Beneficiaries

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

	<u>2014</u>	<u>2013</u>
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 through 2029.	\$ 1,153,400	\$ 1,228,400
(b) Loan to fund costs of consolidating Jewish Child and Family Services and Jewish Vocational Services (originating May 2014 in the amount of \$525,606, interest at 1.53% per annum, principal and interest payable beginning July 1, 2014 over a 5-year period).	525,606	-
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 with final payment in 2014).	-	7,081
Balances, forward	<u>\$ 1,679,006</u>	<u>\$ 1,235,481</u>

**Jewish Federation of Metropolitan Chicago**

**Notes to Consolidated Financial Statements**

**Note 9. Loans Receivable - Affiliated Agencies and Other Beneficiaries (Continued)**

	2014	2013
Balances, forwarded	\$ 1,679,006	\$ 1,235,481
JFMC Facilities Corp. (Facilities)		
(a) Loan to fund the building operations (shortfall) of the Goldie Bachman Luftig Building, to be repaid from the proceeds of future rents, bearing interest at 3.6%.	1,978,043	1,869,219
(b) Loans to fund various projects in process to affiliated agencies (bearing interest at varying rates ranging from 4% - 8%, maturing at various dates through 2022).	114,154	128,983
(c) Loan to fund the construction costs associated with the Jewish Community Centers of Chicago - Weinger Project bearing interest at 5.98% per annum over a 24-year period with final payments due in 2021.	128,244	142,574
(d) Loan to fund payment of debt service on all Weinger Project 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 bearing interest at a rate of 4% over a 25-year period with final payment due in 2034.	96,204	99,284
(f) Loan to fund Fiedler Hillel project, bearing interest at 5.96% per annum, payable over a 21-year period, with final payment due in 2021.	501,840	557,960
(g) Loan to fund the leasehold improvements in the Kersten facility located at 255 Revere Drive, Northbrook, Illinois, bearing interest at 4.5% per annum payable over a 22-year period, with final payment due June 1, 2024.	374,084	403,063
(h) Loan to fund the purchase of 909 Wilson property in Chicago, bearing interest at 4.5% per annum over a 22-year period with final payment due in 2025.	471,533	503,945
Balances, forward	<u>\$ 8,574,332</u>	<u>\$ 8,171,733</u>

**Jewish Federation of Metropolitan Chicago**

**Notes to Consolidated Financial Statements**

**Note 9. Loans Receivable - Affiliated Agencies and Other Beneficiaries (Continued)**

	2014	2013
Balances, forwarded	\$ 8,574,332	\$ 8,171,733
JFMC Facilities Corp. (Facilities) (Continued)		
(i) Loan to fund parking lot improvements at the Bernard Horwich Jewish Community Building, bearing interest at 4.5% per annum over a 20-year period with final payment due 2029.	154,892	161,704
(j) Loan to fund roof repair at the Bernard Horwich Jewish Community Building bearing interest at 4.5% per annum over a 25-year period with final payment due 2034.	199,354	205,184
(k) Loan to fund the purchase of two vehicles for Facilities bearing interest at 2.98% per annum over a 5-year period final payment due in 2017.	42,896	55,984
Jewish United Fund		
Loan for software internally developed by Jewish United Fund, bearing interest at 3.15%, payable over a 14-year period beginning in July 2011. The final payment is due in 2025.	3,948,087	4,243,802
Other Organizations		
(a) Noninterest bearing loan to the Israel Center for Excellence Through Education - USA, due in 2019.	956,000	956,000
(b) 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% 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.	165,562	230,143
(c) Others	348,163	380,809
	\$ 14,389,286	\$ 14,405,359

**Note 10. Fair Value of Financial Instruments and Investments**

As described in Note 1, the Federation reports 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, mutual funds, exchange-traded funds and precious metals.

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, debt securities, government securities, interest rate swaps and investments in underlying investment entities 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 investments in underlying investment entities such as 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.

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.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

The Federation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Federation's accounting policies regarding the recognition of transfers between levels of the fair value hierarchy. During the fiscal years ended June 30, 2014 and 2013, transfers were made between Level 2 and Level 3 based on changes in liquidity provisions.

**Note 10. Fair Value of Financial Instruments and Investments (Continued)**

For the fiscal years ended June 30, 2014 and 2013, 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, exchange-traded 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. Precious metals are valued based on the closing spot price, derived from the over-the-counter precious metals trading market. 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. Investments in government securities and bonds and corporate notes and debt securities 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. If the investments are not traded on an exchange, they 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 investments in funds are valued at fair value based on the applicable percentage ownership of the underlying investment entities' 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 entities. The underlying investment entities value securities and other financial instruments on a fair value based upon market price, when possible, or at fair value determined by the respective entities' investment manager when no market price is determinable. Although the Federation and the underlying investment managers in the PEP use their best judgment in estimating the fair value of alternative investments and investments in funds, there are inherent limitations in any estimation technique. The estimated fair values of certain of the investments of the underlying investment entities, which may include derivatives, securities and other designated or side pocketed investments for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately 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, and differences could be material.

Certain alternative investments and investments in funds have been valued as of March 31, 2014 and 2013 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 PEP prepares investment statements approximately 45 days after the end of each month. These statements are then sent to affiliates and other outside organizations invested in the PEP. The March 31 value is used for fund managers and general partners that do not provide their June 30 statements within this timeframe.

**Note 10. Fair Value of Financial Instruments and Investments (Continued)**

Depending on the redemption options available, as a practical expedient, it may be possible that for alternative investments and investments in funds, the reported net asset value (NAV) represents fair value based on observable data such as ongoing redemption and/or subscription activity. In these cases, the NAV is considered as a Level 2 input. However, certain underlying investment entities may provide the Federation with the ability to suspend or postpone redemption (a "gate"), or a "lock-in period" upon initial subscription, within which the Federation may not redeem without incurring a penalty. In the case of the imposition of a gate, if a "lock-in period" of in excess of 3 months is remaining at the balance sheet date, or if the Federation may not redeem its holding in the underlying investment entity within 3 months or less, the Federation's ability to validate or verify the NAV through redeeming is impaired, and the investment is generally classified as Level 3.

If the interest in any "side pocket" is divisible from the interest in the underlying investment entity (e.g., a separate class of shares), which may be the case if the underlying investment entity is a unitized corporation, the Federation considers the attributes and characteristics of the side pocket, which typically has less liquidity, separately from those of the underlying investment entity in determining the proper valuation and the level within the valuation hierarchy. Generally, side pockets are illiquid with no active market. Accordingly, side pocket interests are generally valued using unobservable (i.e., Level 3) inputs. When the underlying investment entity and side pocket interests are not divisible (e.g., a partnership structure), the Federation considers the significance of the unobservable value of the side pocket on the total investment in the underlying investment entity in determining the classification of the interest in the underlying investment entity within the hierarchy. If the side pocket exposure is deemed to be significant to the interest as a whole, and that side pocket investment was derived using unobservable inputs, the entire investment in the underlying investment entity is classified as Level 3.

The Federation's investments in alternative investments include designated or side pocketed (that is, a portion of the underlying investment portfolio segregated from other investments of such portfolio for the purposes of allocating gains and losses) investments with a fair value of approximately \$8,000,000 and \$11,000,000 as of June 30, 2014 and 2013, 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.

## **Jewish Federation of Metropolitan Chicago**

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

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#### **Note 10. Fair Value of Financial Instruments and Investments (Continued)**

##### 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.

##### Charitable Remainder and Annuity Trusts

Assets received for charitable gift annuities and charitable remainder trusts are recorded at fair value in the unrestricted and temporarily restricted funds, respectively, 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.

Liabilities for the charitable gift annuities and charitable remainder trusts are recorded in an amount equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables. 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.

**Jewish Federation of Metropolitan Chicago**

**Notes to Consolidated Financial Statements**

**Note 10. 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, 2014:

	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	\$ 107,910,945	\$ -	\$ -	\$ 107,910,945
Common stocks	220,593,825	-	-	220,593,825
Mutual funds				
Domestic equity	178,345,561	-	-	178,345,561
International equity	73,837,796	-	-	73,837,796
Fixed income	72,906,223	-	-	72,906,223
State of Israel bonds	-	9,992,121	-	9,992,121
Corporate notes	-	160,685	-	160,685
Exchanged-traded funds	11,004,000	-	-	11,004,000
Preferred stocks	-	302,508	-	302,508
Government securities	2,384,063	202,954	-	2,587,017
Precious metals				
Gold	22,940,283	-	-	22,940,283
Alternative investments				
Absolute return hedge funds	-	70,448,620	110,984,223	181,432,843
International multi-strategy hedge funds	-	-	6,384,537	6,384,537
Real asset funds	-	12,483,938	161,407,584	173,891,522
Private equity and fund-of-funds	-	-	197,704,318	197,704,318
Investments in funds				
Domestic equity	-	66,339,035	19,527,473	85,866,508
International equity	-	127,689,324	21,425,599	149,114,923
Fixed income	-	61,345,682	13,733,153	75,078,835
Other	-	-	5,264,082	5,264,082
	<u>\$ 689,922,696</u>	<u>\$ 348,964,867</u>	<u>\$ 536,430,969</u>	<u>\$ 1,575,318,532</u>
Beneficial interest in charitable trusts				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,571,636</u>	<u>\$ 41,571,636</u>
<b>Liabilities</b>				
Interest rate swaps	\$ -	\$ 21,136,136	\$ -	\$ 21,136,136
Charitable remainder and annuity trusts	-	-	19,170,548	19,170,548
	<u>\$ -</u>	<u>\$ 21,136,136</u>	<u>\$ 19,170,548</u>	<u>\$ 40,306,684</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 10. 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, 2013:

	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	\$ 106,595,194	\$ -	\$ -	\$ 106,595,194
Common stocks	165,827,626	-	-	165,827,626
Mutual funds				
Domestic equity	142,726,482	-	-	142,726,482
International equity	69,380,652	-	-	69,380,652
Fixed income	70,828,403	-	-	70,828,403
State of Israel bonds	-	9,940,286	-	9,940,286
Corporate notes	-	194,234	-	194,234
Debt securities	-	1,114,721	-	1,114,721
Exchange-traded funds	1,133,190	-	-	1,133,190
Preferred stocks	-	278,112	-	278,112
Government securities	-	210,620	-	210,620
Precious metals				
Gold	27,158,012	-	-	27,158,012
Alternative investments				
Absolute return hedge funds	-	54,103,937	109,833,632	163,937,569
International multi-strategy hedge funds	-	-	6,045,354	6,045,354
Real asset funds	-	10,666,898	153,472,440	164,139,338
Private equity and fund-of-funds	-	-	181,339,104	181,339,104
Investments in funds				
Domestic equity	-	58,039,138	14,497,991	72,537,129
International equity	-	103,919,296	5,537,803	109,457,099
Fixed income	-	67,557,792	-	67,557,792
Other	-	-	5,236,970	5,236,970
	<u>\$ 583,649,559</u>	<u>\$ 306,025,034</u>	<u>\$ 475,963,294</u>	<u>\$ 1,365,637,887</u>
Beneficial interest in charitable trusts				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,511,927</u>	<u>\$ 30,511,927</u>
<b>Liabilities</b>				
Interest rate swaps	\$ -	\$ 24,013,599	\$ -	\$ 24,013,599
Charitable remainder and annuity trusts	-	-	18,883,896	18,883,896
	<u>\$ -</u>	<u>\$ 24,013,599</u>	<u>\$ 18,883,896</u>	<u>\$ 42,897,495</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 10. 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:

	Absolute Return Hedge Funds	International Multi-Strategy Funds	Real Asset Funds	Private Equity/ Fund-of-Funds	Domestic Equity Funds	International Equity Funds	Fixed Income Funds	Other	Total
Balance, July 1, 2012	\$ 135,037,162	\$ 6,400,823	\$ 157,475,702	\$ 120,998,307	\$ -	\$ -	\$ -	\$ 3,978,976	\$ 423,890,970
Transfer to Level 3	-	-	-	3,255,925	10,087,456	-	-	-	13,343,381
Transfer to Level 2	-	-	(9,512,048)	-	-	-	-	-	(9,512,048)
Purchases of investments	49,884,897	-	4,250,000	80,910,768	3,000,000	5,676,020	-	1,301,989	145,023,674
Proceeds from investments	(87,148,197)	(1,000,000)	(11,618,450)	(39,895,141)	-	(221,208)	-	(203,380)	(140,086,376)
Gain on investment activity (realized and change in unrealized)	12,059,770	644,531	12,877,236	16,069,245	1,410,535	82,991	-	159,385	43,303,693
Balance, June 30, 2013	109,833,632	6,045,354	153,472,440	181,339,104	14,497,991	5,537,803	-	5,236,970	475,963,294
Transfer to Level 3	-	-	-	-	-	5,803,086	9,453,133	-	15,256,219
Transfer to Level 2	-	-	-	(106,116)	-	-	-	-	(106,116)
Purchases of investments	10,248,501	(174,661)	3,502,695	12,042,660	-	7,620,000	-	132,310	33,371,505
Proceeds from investments	(20,862,148)	-	(19,302,908)	(36,041,382)	(2,000,000)	(473,255)	-	(233,028)	(78,912,721)
Gain on investment activity (realized and change in unrealized)	11,764,238	513,844	23,735,357	40,470,052	7,029,482	2,937,965	4,280,020	127,830	90,858,788
Balance, June 30, 2014	\$ 110,984,223	\$ 6,384,537	\$ 161,407,584	\$ 197,704,318	\$ 19,527,473	\$ 21,425,599	\$ 13,733,153	\$ 5,264,082	\$ 536,430,969

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

Balance, July 1, 2012	\$ 29,047,195
Change in value	<u>1,464,732</u>
Balance, June 30, 2013	30,511,927
Contributions	7,943,133
Change in value	<u>3,116,576</u>
Balance, June 30, 2014	<u>\$ 41,571,636</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 10. Fair Value of Financial Instruments and Investments (Continued)

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, 2012	\$ 19,304,786
Liability portion of charitable gifts received	158,136
Payments to annuitants	(2,584,053)
Actuarial increase in the present value of annuities	<u>2,005,027</u>
Balance, June 30, 2013	18,883,896
Liability portion of charitable gifts received	53,335
Payments to annuitants	(2,538,477)
Actuarial increase in the present value of annuities	<u>2,771,794</u>
Balance, June 30, 2014	<u><u>\$ 19,170,548</u></u>

The total change in unrealized gain included in the consolidated statements of activities attributable to Level 3 investments held at June 30, 2014 and 2013 was \$88,740,183 and \$10,183,007, respectively.

The tables below present the Federation's ability to redeem an investment in alternative investments and an investment in funds valued at net asset value or its equivalent as of June 30, 2014 and 2013, and include the underlying investment entities' 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, 2014 and 2013:

	June 30, 2014			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Alternative investments				
Absolute return hedge funds <sup>(a)</sup>	\$ 181,432,843	\$ 4,575,000	Various	2 - 180 days
International multi-strategy funds <sup>(b)</sup>	6,384,537	-	Annually	120 days
Real asset funds <sup>(c)</sup>	173,891,522	53,912,803	Various	Various
Private equity and fund-of-funds <sup>(d)</sup>	197,704,318	61,766,940	Illiquid	N/A
Investments in funds				
Domestic equity <sup>(e)</sup>	85,866,508	-	Various	5 - 60 days
International equity <sup>(f)</sup>	149,114,923	-	Various	5 days - 1 year
Fixed income <sup>(g)</sup>	75,078,835	1,300,352	Various	10 - 180 days
	<u><u>\$ 869,473,486</u></u>	<u><u>\$ 121,555,095</u></u>		

**Jewish Federation of Metropolitan Chicago**

**Notes to Consolidated Financial Statements**

**Note 10. Fair Value of Financial Instruments and Investments (Continued)**

	June 30, 2013			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Alternative investments				
Absolute return hedge funds <sup>(a)</sup>	\$ 163,937,569	\$ 4,575,000	Various	2 - 180 days
International multi-strategy funds <sup>(b)</sup>	6,045,354	-	Annually	120 days
Real asset funds <sup>(c)</sup>	164,139,338	30,690,082	Various	Various
Private equity and fund-of-funds <sup>(d)</sup>	181,339,104	49,439,238	Illiquid	N/A
Investments in funds				
Domestic equity <sup>(e)</sup>	72,537,129	-	Various	5 - 60 days
International equity <sup>(f)</sup>	109,457,099	-	Various	5 - 90 days
Fixed income <sup>(g)</sup>	67,557,792	-	Various	10 - 180 days
	<u>\$ 765,013,385</u>	<u>\$ 84,704,320</u>		

(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 category includes international multi-strategy investments focused on analyzing the probability-adjusted returns of individual securities and assets, and capturing the alpha in mispriced assets/securities across conventional and alternative financial strategies. Management initiates long and short positions targeting solid absolute risk-adjusted returns.

(c) This class represents investments in real estate-related companies, energy, commodities and natural resources whose principal businesses are located in developing markets throughout the world. A significant portion of these investments are illiquid; some allow redemptions monthly and quarterly.

(d) 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.

(e) This class represents investments in domestic partnerships and limited liability companies. Redemptions are allowed monthly and quarterly.

(f) This class represents investments in international partnerships and limited liability companies. Redemptions range from daily to annually.

(g) This class represents investments in global bond and emerging fixed income funds. Redemptions range from monthly to quarterly.

In connection with its investing and hedging activities, the Federation enters into transactions, directly and indirectly through positions held by the underlying investment entities, 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.

**Note 10. Fair Value of Financial Instruments and Investments (Continued)**

The Federation's direct and indirect 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. The Federation seeks to mitigate its exposure to this credit risk by placing its cash with major institutions.

**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.

**Alternative investments and investments in funds:** The managers of underlying investment entities 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, 2014, the Federation had approximately \$122,000,000 (2013 - \$85,000,000) of unfunded capital commitments to various investment entities, 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 11. Real Estate

Real estate consisted of the following:

	2014	2013
South Michigan Avenue property (land)	\$ 108,750	\$ 108,750
Bernard Horwich property (land)	610,412	610,412
Cohen Hillel at University of Illinois Urbana-Champaign		
Land	1	1
Equipment, furniture and fixtures	10,657	10,657
	10,658	10,658
Accumulated depreciation	(8,371)	(6,849)
	2,287	3,809
Michael Reese Health Trust		
Equipment	172,243	170,035
Accumulated depreciation	(159,352)	(154,273)
	12,891	15,762
	\$ 734,340	\$ 738,733

Depreciation for the fiscal years ended June 30, 2014 and 2013 amounted to \$6,601 and \$14,666, respectively.

#### Cohen Hillel at University of Illinois Urbana-Champaign

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 12. Due from Jewish United Fund

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

	2014	2013
Loans to meet fiscal obligations (external funding - interest rate is identical to Federation agreements under bank loans payable).	\$ 12,000,000	\$ 12,000,000
Advances on allocations and the amounts due for common expenses	(3,873,640)	(4,909,634)
	<u>\$ 8,126,360</u>	<u>\$ 7,090,366</u>

#### Note 13. Loans Payable

Loans payable consisted of the following:

	2014	2013
Loan to meet operating needs of the Jewish United Fund (a)	\$ 12,000,000	\$ 12,000,000
Loan to fund the Jewish Day School Guaranty Trust endowment fund distributions (b)	10,479,000	8,905,000
Loan to fund the consolidation of Jewish Child and Family Services and Jewish Vocational Services (c)	513,606	-
	<u>\$ 22,992,606</u>	<u>\$ 20,905,000</u>

(a) The Federation maintains an unsecured revolving line of credit with JP Morgan Chase Bank, N.A. (JP Morgan). Outstanding borrowings on the line of credit bear interest at LIBOR plus 0.60 percent. The agreement as amended currently permits borrowings up to \$12,000,000 and matures August 31, 2015.

(b) The Federation maintains an unsecured revolving line of credit with JP Morgan which is used to pay distributions on behalf of the Jewish Day School Guaranty Trust, an endowment fund of the Federation. The endowment fund will pay off the outstanding line of credit balance in fiscal year 2016 in accordance with management's long-term plan for this program. In June 2014, the agreement was amended to increase available borrowings from \$10,800,000 to \$12,300,000 and to extend the maturity date to August 31, 2015. Outstanding borrowings on the line of credit bear interest at LIBOR plus 0.60 percent per annum.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 13. Loans Payable (Continued)

- (c) On May 20, 2014, the Federation drew down \$525,006 under its \$1,300,000 term loan agreement with U.S. Bank National Association. These funds were then advanced to Jewish Child and Family Services (JCFS) to finance expenses associated with the consolidation of Jewish Vocational Services within JCFS (see Note 9). Monthly principal installment payments of \$12,000 began on June 21, 2014. A final payment equal to all unpaid principal is due on May 21, 2018. The loan bears interest at 1.53 percent.

Based on the terms of a Memorandum of Understanding between JCFS and Federation, JCFS began repaying Federation for a portion of the debt service on this loan in July 2014. Effective in fiscal year 2016, JCFS' payments to Federation are expected to increase based on savings realized by JCFS as a result of the consolidation.

Future principal maturities on the loans are as follows:

2015	\$	144,000
2016		22,623,000
2017		144,000
2018		81,606
	\$	<u>22,992,606</u>

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 0.60 percent and in June 2014 the agreement was amended to extend the maturity date to August 31, 2015. This line of credit is used to fund affiliated agency annual allocation payments. There were no outstanding borrowings under the line of credit at June 30, 2014 and 2013.

Interest expense related to the above borrowings for each of the fiscal years ended June 30, 2014 and 2013 was approximately \$388,000 and \$462,000, respectively.

#### Note 14. Bonds Payable

Bonds payable consisted of the following:

	2014	2013
Colorado Educational and Cultural Facilities Authority - Series G3	\$ 4,440,000	\$ 4,735,000
Colorado Educational and Cultural Facilities Authority - Series J1	4,875,000	5,020,000
	<u>\$ 9,315,000</u>	<u>\$ 9,755,000</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 14. Bonds Payable (Continued)

##### Colorado Educational and Cultural Facilities Authority - Series G3

Pursuant to an agreement dated June 1, 2012 with the Colorado Educational and Cultural Facilities Authority, the Federation received proceeds from the issuance of direct placement tax-exempt bonds (G3 bonds) in the amount of \$5,015,000 to refinance the Series A1 and F1 bonds. The remaining proceeds of \$69,820,000 were issued to Facilities, CJE SeniorLife and Jewish Community Centers of Chicago. On June 1, 2012, Wells Fargo Bank, N.A. (Wells Fargo) purchased the Series G3 Bonds. The bonds mature in 2034 and bear interest at a variable rate of 68 percent of the monthly LIBOR rate plus 1 percent. The effective interest rates for 2014 and 2013 were approximately 1.12 and 1.2 percent, respectively. The Federation has entered into a Guaranty Agreement whereby it has guaranteed the payment of the aggregate original bond principal amount.

##### Colorado Educational and Cultural Facilities Authority - Series J1

Pursuant to an agreement dated July 1, 2012 with the Colorado Educational and Cultural Facilities Authority, the Federation received proceeds from the issuance of direct placement tax-exempt bonds (J1 Bonds) in the amount of \$5,150,000 to refinance the Series A8 and A10 bonds. The remaining proceeds of \$62,560,000 were issued to Facilities to refinance the Series A8 and A10 bonds. On July 2, 2012, JPMorgan Chase Bank, N.A. purchased the Series J1 bonds. The Series J1 bonds mature in 2038 and bear interest at a variable rate of 74 percent of the monthly LIBOR rate plus 0.85 percent. The effective interest rates for 2014 and 2013 were approximately .98 and 1.02 percent, respectively. The Federation has entered into a Guaranty Agreement whereby it has guaranteed the payment of the aggregate original bond principal amount.

#### Future principal maturities on the bonds are as follows:

2015	\$	455,000
2016		465,000
2017		480,000
2018		495,000
2019		510,000
Thereafter		6,910,000
		<u>\$ 9,315,000</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 15. Derivative Financial Instruments

To minimize the effect of changes in interest rates on bonds payable, the Federation has entered into various interest rate swap arrangements. As of June 30, 2014 and 2013, the Federation had six interest rate swap arrangements, with various financial institutions for notional amounts ranging from approximately \$12,225,000 to \$64,690,000, totaling approximately \$214,000,000 of notional value.

In connection with five of the six swap arrangements, the Federation has agreed to pay fixed rates of interest equal to blended average rates of between approximately 3.1 percent to 3.6 percent, with the counterparty paying a floating rate based on a range of 68 percent to 74 percent of LIBOR. Two of the 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 0.06 percent as of June 30, 2014 and 2013. The swap arrangements expire on various dates through 2041 matching the maturities of the underlying tax exempt debt.

One of the Federation's swaps was entered into on behalf of CJE SeniorLife to hedge its exposure to floating interest rates on the Series G3 Bonds. The outstanding notional amount of the swap was \$15,740,068 and \$16,410,068 at June 30, 2014 and 2013, respectively. The Federation and CJE SeniorLife entered in an agreement whereby CJE SeniorLife agreed to pay all ongoing expenses related to the interest rate swap agreement directly to Wells Fargo. In connection with the interest rate swap agreement, CJE SeniorLife has agreed to pay a fixed rate of interest equal to 3.7 percent, with the counterparty paying a floating rate equal to 68 percent of the 30-day LIBOR rate. The Federation has recorded a receivable from CJE SeniorLife and an offsetting liability for the fair value of the swap agreement. At June 30, 2014 and 2013, the fair value of the interest rate swap agreement of \$2,453,423 and \$2,575,958, respectively, is included in pledges and other receivables. The change in the receivable is recorded as interest income and the change in the fair value of the interest rate swap agreement is recorded as an unrealized gain (loss) on the fair value of swap arrangements on the consolidated statement of activities. The interest rate swap agreement expires in 2035.

At June 30, 2014 and 2013, the estimated fair value of these six swap arrangements was a liability of \$21,136,136 and \$24,013,599, respectively.

The interest rate swap agreements as of and for the years ended June 30, 2014 and 2013 consist of:

	2014	2013
Liability derivatives		
Interest rate contracts at fair value		
Statement of financial position		
Interest rate swap liability	<u>\$ (21,136,136)</u>	<u>\$ (24,013,599)</u>
Effective portion of gain		
Other changes in net assets		
Statement of activities position		
Unrealized gain on swap agreement	\$ 2,877,463	\$ 13,603,174
Less amount of gain allocated to CJE SeniorLife	122,535	1,194,994
	<u>\$ 2,754,928</u>	<u>\$ 12,408,180</u>

**Margin call:** In connection with its interest rate swap arrangements, the Federation has entered into master agreements with JP Morgan and Wells Fargo which contain collateral posting provisions. When the net present value of the combined market values of the swaps issued by each bank exceeds \$25,000,000 and \$17,500,000 with JP Morgan and Wells Fargo, respectively, the swap counterparties with the negative carrying value must provide collateral to the other counterparty.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 16. 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted in Illinois on June 30, 2009. The Board of Directors of the Federation has interpreted Illinois 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's policy is to classify 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**

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**Note 16. Endowment (Continued)**

**Endowment Composition**

The Federation's endowment net asset composition by type of fund is as follows for the years ended June 30, 2014 and 2013:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ (8,203,319)	\$ 76,206,971	\$ 53,468,424	\$ 121,472,076
Board-designated	178,241,586	-	-	178,241,586
	<u>\$ 170,038,267</u>	<u>\$ 76,206,971</u>	<u>\$ 53,468,424</u>	<u>\$ 299,713,662</u>

  

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ (6,581,071)	\$ 62,665,888	\$ 51,107,971	\$ 107,192,788
Board-designated	163,593,405	-	-	163,593,405
	<u>\$ 157,012,334</u>	<u>\$ 62,665,888</u>	<u>\$ 51,107,971</u>	<u>\$ 270,786,193</u>

**Jewish Federation of Metropolitan Chicago**

**Notes to Consolidated Financial Statements**

**Note 16. Endowment (Continued)**

**Changes in Endowment Net Assets**

The changes in endowment net assets for the Federation were as follows for the year ended June 30, 2014:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 157,012,334	\$ 62,665,888	\$ 51,107,971	\$ 270,786,193
Net asset reclassification	(192,345)	192,345	-	-
Net asset after reclassification	156,819,989	62,858,233	51,107,971	270,786,193
Investment return				
Investment income	751,613	235,971	-	987,584
Gain on investment activity (realized and unrealized)	24,443,754	14,052,438	-	38,496,192
	25,195,367	14,288,409	-	39,483,776
Contributions	4,795,047	4,617,878	2,360,453	11,773,378
Other changes				
Satisfaction of restriction appropriation	5,557,537	(5,557,549)	-	(12)
Distributions	(22,329,673)	-	-	(22,329,673)
	(16,772,136)	(5,557,549)	-	(22,329,685)
Endowment net assets, end of year	\$ 170,038,267	\$ 76,206,971	\$ 53,468,424	\$ 299,713,662

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 16. Endowment (Continued)

The changes in endowment net assets for the Federation were as follows for the year ended June 30, 2013:

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 148,504,136	\$ 55,852,395	\$ 51,101,899	\$ 255,458,430
Investment return				
Investment income	709,323	132,822	-	842,145
Gain on investment activity (realized and unrealized)	13,644,207	7,894,242	-	21,538,449
	<u>14,353,530</u>	<u>8,027,064</u>	<u>-</u>	<u>22,380,594</u>
Contributions	<u>9,830,951</u>	<u>3,213,221</u>	<u>6,072</u>	<u>13,050,244</u>
Other changes				
Satisfaction of restriction appropriation	4,426,792	(4,426,792)	-	-
Distributions	<u>(20,103,075)</u>	<u>-</u>	<u>-</u>	<u>(20,103,075)</u>
	<u>(15,676,283)</u>	<u>(4,426,792)</u>	<u>-</u>	<u>(20,103,075)</u>
Endowment net assets, end of year	<u>\$ 157,012,334</u>	<u>\$ 62,665,888</u>	<u>\$ 51,107,971</u>	<u>\$ 270,786,193</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 relating to multiple funds were \$8,203,319 and \$6,581,071 as of June 30, 2014 and 2013, 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.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 16. Endowment (Continued)

##### Return Objectives and Risk Parameters

The Federation 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.

##### 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 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 PEP, 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 17. Temporarily Restricted Net Assets

Temporarily restricted net assets released were as follows:

	2014	2013
Satisfaction of restrictions		
Satisfaction of time restriction	\$ 1,839,484	\$ 6,017,071
Satisfaction of restriction through recurring annual distributions (see Note 8)	6,832,756	5,946,332
Satisfaction of purpose restriction	-	418,991
Total satisfaction of restrictions	<u>\$ 8,672,240</u>	<u>\$ 12,382,394</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 17. Temporarily Restricted Net Assets (Continued)

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

	2014	2013
The ARK	\$ 72,694	\$ 65,238
Capital development fund - CJE SeniorLife	488,343	453,966
Center for Jewish Genetics	771,578	665,392
Charitable remainder trusts	5,816,130	6,050,949
Children with special needs	1,498,603	1,465,579
Community Foundation for Jewish Education	51,891	47,467
Disaster Relief	115,355	148,161
Fiedler Hillel	151,738	141,055
Financial assistance for hearing impaired	150,790	166,402
Financial assistance for homeless shelter	605,097	736,919
Financial assistance for students	9,066,926	7,188,573
Hebrew Theological College	234,504	222,843
Hillel Torah North Suburban Day School	55,664	51,793
Hillels of Illinois	785,613	563,674
Hillman Ballfield at the Bernard Horwich Building	92,855	86,506
Holocaust Community Services	1,000,000	-
Ida Crown Jewish Academy - capital project	11,580,320	11,103,407
Jewish Agency for Israel	5,398,292	4,940,997
Jewish Child and Family Services	966,772	887,168
Jewish Community Centers of Chicago - Uptown Cafe	491,973	454,744
Jewish Day School Guaranty Trust Fund	17,864,450	14,101,199
Juvenile diabetes	7,870	7,925
Lieberman Geriatric Health Center	26,424	24,473
Michael Reese Health Trust - educational and research purposes	6,392,398	4,522,232
Mt. Sinai Hospital Medical Center of Chicago	793,925	-
Programs for the elderly	434,076	316,808
Response Center	440,572	398,112
Scholarships to Israel	1,720,150	1,730,552
Spertus Institute for Jewish Learning and Leadership	2,617,176	2,361,980
Time restricted - pledges receivable	28,522,779	11,262,983
Various other charities	2,381,064	1,307,081
Young Leadership Award	197,047	178,324
	<u>\$ 100,793,069</u>	<u>\$ 71,652,502</u>

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

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#### Note 18. Permanently Restricted Net Assets

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

	2014	2013
Principal to be held in perpetuity, income earned to be used for the following purposes:		
The ARK	\$ 91,587	\$ 91,587
Beneficial interest in charitable trusts	41,571,636	30,511,926
Center for Jewish Genetics	250,000	250,000
Educational and research purposes	15,060,439	15,060,439
General purposes	22,510,097	22,202,497
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	8,734,326	8,734,326
Spertus College of Judaica	1,035,572	1,035,572
Various other charities	515,116	515,116
Young adult engagement program	1,500,811	-
	<u>\$ 95,040,060</u>	<u>\$ 82,171,939</u>

#### Note 19. 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, 2014 and 2013 amounted to approximately \$567,000 and \$524,000, respectively.

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

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 20. 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 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 plan, employer contributions to which are computed on the basis of a percentage of salary. FERST provides benefits to employees covered by a collective bargaining agreement.

Annual contributions paid by the Federation to FERIP and FERST for fiscal years ended June 30, 2014 and 2013 were approximately \$522,000 and \$509,000, respectively.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act		FIP/RP Status Pending/ Implemented	Contributions of Federation			Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		Zone Status			2014	2013	2012		
		2014	2013						
FERIP	36-2167034	N/A	N/A	N/A	\$ 459,071	\$ 426,667	\$ 409,431	N/A	N/A

Plan information for FERIP is not publicly available. FERIP provides fixed, monthly retirement payments on the basis of the credits earned by the participating employees. To the extent that the plan is underfunded, the future contributions to the plan may increase and may be used to fund retirement benefits for employees related to other employers who have ceased operations. Federation could be assessed a withdrawal liability in the event that it decides to cease participating in the plan. FERIP's actuarial valuation for the years ended December 31, 2013 and 2012 indicated the fair value of the plan assets was \$74,700,156 and \$73,300,574, respectively; total actuarial projected benefit obligation was \$102,880,655 and \$103,769,174, respectively; and total contributions for all participating employers were \$3,112,517 and \$5,946,969, respectively. The plan's actuarial valuation for the plan years ended December 31, 2013 and 2012 indicate that the plan was less than 73 and 71 percent funded, respectively. Effective July 1, 2012, the FERIP was amended to reduce future benefits by approximately one-third.

At the date the financial statements were issued, Forms 5500 were not available for the plan years ended in 2014.

## Jewish Federation of Metropolitan Chicago

### Notes to Consolidated Financial Statements

#### Note 21. Loan Guarantees and Commitments

The Federation is contingently liable as the guarantor on certain indebtedness incurred by 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 2041. At any time should any of the affiliated / beneficiary organizations 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 organizations that the Federation is contingently liable under as of June 30, 2014 and 2013:

	2014	2013
Akiba-Schechter Jewish Day School	\$ 2,365,000	\$ 2,480,000
Arie Crown Hebrew Day School	781,043	821,081
Associated Talmud Torahs	360,404	1,021,742
CJE SeniorLife	46,151,594	51,456,066
JFMC Facilities Corporation	138,736,084	133,175,000
Hanna Sacks Bais Yaakov Girls High School	951,076	895,608
Hebrew Theological College	864,330	925,335
Hillel Torah North Suburban Day School	1,283,627	1,080,000
Ida Crown Jewish Academy	14,500,000	14,500,000
Jewish Community Centers	2,340,695	1,062,607
Jewish Vocational Services	317,000	100,000
Joan Dachs Bais Yaakov Elementary School	2,681,345	2,336,679
Mt. Sinai Hospital	17,318,296	17,938,296
Spertus Institute for Jewish Learning and Leadership	3,500,000	3,500,000
	<u>\$ 232,150,494</u>	<u>\$ 231,292,414</u>

As of June 30, 2014, the guarantees include \$158,970,000 of tax-exempt bond debt and \$73,180,494 of taxable bank debt (2013 – \$177,500,000 of tax-exempt bond debt and \$53,792,414 of taxable bank debt). A majority of the debt guaranteed by the Federation was used to finance the purchase and/or renovation of real estate.

Subsequent to June 30, 2014, the three-year limited guaranty provided on behalf of Spertus Institute for Jewish Learning and Leadership expired.

#### Note 22. Funds Held as Custodian

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

	2014	2013
Charitable remainder and annuity trusts	\$ 4,713,586	\$ 2,460,758
Send a Kid to Israel Program reserve fund	3,457,899	3,627,066
Health, dental and vision insurance fund	1,341,137	662,121
Unemployment compensation reserve fund	8,000	8,000
Bar/Bat Mitzvah Registry	242,321	237,658
	<u>\$ 9,762,943</u>	<u>\$ 6,995,603</u>

## **Jewish Federation of Metropolitan Chicago**

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

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#### **Note 23. 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 \$1,539,000 and \$1,310,000 as of June 30, 2014 and 2013, respectively, and is included in accounts payable and accrued expenses on the consolidated statements of financial position. In connection with these agreements, the Federation made payments of \$161,580 and \$146,008 during the years ended June 30, 2014 and 2013, respectively.

#### **Note 24. Subsequent Events**

The Federation has evaluated subsequent events for potential recognition and/or disclosure through December 30, 2014, the date the consolidated financial statements were available to be issued.