

# **GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES**

---

## **CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**



## GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

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### TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3 - 4
Consolidated Statements of Functional Expenses	5 - 6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 – 26



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Greater Miami Jewish Federation, Inc. and Subsidiaries

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Greater Miami Jewish Federation, Inc. and Subsidiaries (collectively referred to as the "Federation"), which comprise the consolidated statement of financial position as of June 30, 2018 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Greater Miami Jewish Federation, Inc. and Subsidiaries as of June 30, 2018 and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Consolidated Financial Statements**

The consolidated financial statements of Greater Miami Jewish Federation, Inc. and Subsidiaries as of and for the year ended June 30, 2017 were audited by other auditors whose report dated December 22, 2017, expressed an unmodified opinion on those consolidated financial statements.

*Morrison, Brown, Argiz & Farra*

Miami, Florida  
December 17, 2018

An independent member of Baker Tilly International

**GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30,

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 20,829,802	\$ 28,450,440
Investments	304,667,882	268,171,637
Pledges receivable, net	12,308,638	9,764,563
Due from beneficiary agencies, net	3,314,945	3,121,850
Property and equipment, net	4,283,816	4,380,877
Other assets	11,205,719	11,819,778
<b>TOTAL ASSETS</b>	<b>\$ 356,610,802</b>	<b>\$ 325,709,145</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Allocations payable:		
The Jewish Federations of North America	\$ 6,817,598	\$ 7,046,700
Targeted grants for Israel	396,184	421,043
Beneficiary agencies	8,974,947	9,204,362
Other	836,773	738,373
<b>TOTAL ALLOCATIONS PAYABLE</b>	<b>17,025,502</b>	<b>17,410,478</b>
Line of credit	4,500,000	3,500,000
Accounts payable and other liabilities	6,011,498	6,403,354
Obligations to affiliated agencies for assets held in trust	35,843,680	32,386,795
Split-interest agreements	2,787,230	2,915,157
<b>TOTAL LIABILITIES</b>	<b>66,167,910</b>	<b>62,615,784</b>
<b>NET ASSETS</b>		
Unrestricted (including \$4,330,347 in 2018 and \$4,259,525 in 2017 of board designated funds)	231,373,350	205,147,575
Temporarily restricted	43,216,970	42,093,593
Permanently restricted	15,852,572	15,852,193
<b>TOTAL NET ASSETS</b>	<b>290,442,892</b>	<b>263,093,361</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 356,610,802</b>	<b>\$ 325,709,145</b>

The accompanying notes are an integral part of these consolidated financial statements.

**GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support								
Campaign and other pledges	\$ 24,054,746	\$ 2,656,889	\$ -	\$ 26,711,635	\$ 26,353,882	\$ -	\$ -	\$ 26,353,882
Less:								
Grants from Foundation	(3,252,215)	-	-	(3,252,215)	(2,914,978)	-	-	(2,914,978)
Provision for estimated uncollectible pledges, net	(1,263,336)	-	-	(1,263,336)	(828,625)	-	-	(828,625)
Merchant credit card fees	(71,861)	-	-	(71,861)	(181,604)	-	-	(181,604)
Net campaign and other pledges	19,467,334	2,656,889	-	22,124,223	22,428,675	-	-	22,428,675
Non-campaign contributions and bequests	34,909,157	600,891	379	35,510,427	42,308,138	1,879,106	(135,527)	44,051,717
	54,376,491	3,257,780	379	57,634,650	64,736,813	1,879,106	(135,527)	66,480,392
Grants from government agencies	342,513	-	-	342,513	314,853	-	-	314,853
	54,719,004	3,257,780	379	57,977,163	65,051,666	1,879,106	(135,527)	66,795,245
Investment income, net	14,851,148	2,399,608	-	17,250,756	17,091,520	4,542,594	-	21,634,114
Rental income (includes \$435,600 for in-kind rent for 2018 and 2017)	472,113	-	-	472,113	487,603	-	-	487,603
Program fees and other income	2,297,335	-	-	2,297,335	2,395,400	-	-	2,395,400
Net assets released from restrictions	4,534,011	(4,534,011)	-	-	1,958,776	(1,958,776)	-	-
Total revenues, gains, and other support	76,873,611	1,123,377	379	77,997,367	86,984,965	4,462,924	(135,527)	91,312,362
Expenses								
Allocations:								
The Jewish Federations of North America	7,176,519	-	-	7,176,519	6,727,413	-	-	6,727,413
Agencies	8,673,926	-	-	8,673,926	8,820,391	-	-	8,820,391
Grants and designated purposes	19,849,500	-	-	19,849,500	24,215,309	-	-	24,215,309
Total allocations	35,699,945	-	-	35,699,945	39,763,113	-	-	39,763,113

The accompanying notes are an integral part of these consolidated financial statements.

**GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)  
FOR THE YEARS ENDED JUNE 30,

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses (continued)								
Support services								
Fundraising	\$ 3,752,176	\$ -	\$ -	\$ 3,752,176	\$ 3,425,385	\$ -	\$ -	\$ 3,425,385
Administration of Allocations	267,053	-	-	267,053	254,174	-	-	254,174
Management and General	2,664,487	-	-	2,664,487	2,456,221	-	-	2,456,221
Program services								
Community Leadership and Development	2,142,050	-	-	2,142,050	1,986,514	-	-	1,986,514
South Dade Leadership Development	198,245	-	-	198,245	194,464	-	-	194,464
The Network	150,567	-	-	150,567	196,895	-	-	196,895
Agency Programming Services	342,233	-	-	342,233	333,186	-	-	333,186
Golden Care Foundation	164,324	-	-	164,324	143,787	-	-	143,787
Passport to Israel	16,223	-	-	16,223	11,937	-	-	11,937
Mishkan Miami	324,631	-	-	324,631	323,824	-	-	323,824
Jewish Community Relations Council	250,483	-	-	250,483	257,379	-	-	257,379
Organization for Leadership Advancement in Miami	49,930	-	-	49,930	53,683	-	-	53,683
PJ Library	200,848	-	-	200,848	186,637	-	-	186,637
J Works Miami	2,023	-	-	2,023	20,021	-	-	20,021
Community Security	158,655	-	-	158,655	151,629	-	-	151,629
Israel and Overseas	269,776	-	-	269,776	259,629	-	-	259,629
Create a Jewish Legacy	1,103	-	-	1,103	18,970	-	-	18,970
Risk Management	941	-	-	941	1,285	-	-	1,285
Agency Operations	89,647	-	-	89,647	79,549	-	-	79,549
Jewish Volunteer Services	118,799	-	-	118,799	106,525	-	-	106,525
Holocaust Memorial Committee	694,635	-	-	694,635	728,064	-	-	728,064
Center for the Advancement of Jewish Education	3,089,062	-	-	3,089,062	3,295,082	-	-	3,295,082
Total expenses	14,947,891	-	-	14,947,891	14,484,840	-	-	14,484,840
Total allocations and expenses	50,647,836	-	-	50,647,836	54,247,953	-	-	54,247,953
Change in net assets	26,225,775	1,123,377	379	27,349,531	32,737,012	4,462,924	(135,527)	37,064,409
Net assets at beginning of year	205,147,575	42,093,593	15,852,193	263,093,361	172,410,563	37,630,669	15,987,720	226,028,952
Net assets at end of year	\$ 231,373,350	\$ 43,216,970	\$ 15,852,572	\$ 290,442,892	\$ 205,147,575	\$ 42,093,593	\$ 15,852,193	\$ 263,093,361

The accompanying notes are an integral part of these consolidated financial statements.

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	Fundraising	Administration of Allocations	Management and General	Community Leadership and Development	South Dade Leadership Development	The Network	Agency Programming Services	Golden Care Foundation	Passport to Israel	Mishkan Miami	Jewish Community Relations Council	Organization for Leadership Advancement in Miami	PJ Library	J Works Miami	Community Security	Israel and Overseas	Create a Jewish Legacy	Risk Management	Agency Operations	Jewish Volunteer Services	Holocaust Memorial Committee	Center for the Advancement of Jewish Education	Total
Salaries	\$ 1,958,492	\$ 203,037	\$ 1,577,041	\$ 1,217,659	\$ 146,058	\$ 112,853	\$ 56,717	\$ 120,299	\$ -	\$ 253,380	\$ 172,135	\$ 26,373	\$ 52,848	\$ -	\$ 128,217	\$ 191,465	\$ -	\$ -	\$ 72,846	\$ 79,750	\$ 333,593	\$ 1,282,549	\$ 7,985,312
Employee benefits	439,613	26,883	238,681	234,335	23,667	19,105	9,844	20,856	-	24,299	29,504	3,066	175	-	4,512	26,183	-	-	10,965	14,982	51,584	244,217	1,422,471
Payroll taxes	117,671	12,904	102,808	74,314	10,706	8,043	3,796	8,988	-	13,621	13,006	2,024	4,055	-	9,473	8,635	-	-	5,836	4,759	18,165	81,499	500,303
Total salaries and related expenses	2,515,776	242,824	1,918,530	1,526,308	180,431	140,001	70,357	150,143	-	291,300	214,645	31,463	57,078	-	142,202	226,283	-	-	89,647	99,491	403,342	1,608,265	9,908,086
Super Sunday	46,630	-	-	8,229	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,859
Auditing	-	-	66,868	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,868
Donor relations	13,833	-	2,933	10,302	68	-	-	14,112	-	-	-	-	-	-	-	-	100	-	-	-	-	-	41,348
Conferences	33,060	1,059	17,483	21,222	-	-	-	-	-	7,302	6,598	-	599	-	1,208	6,073	826	-	-	-	9,270	57,897	162,597
Copying and duplicating	24,753	2,011	25,776	18,295	2,734	1,872	-	-	-	2,202	2,371	250	-	-	990	46	-	-	-	200	2,880	5,236	89,616
Management information Services	176,963	-	75,359	1,180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,587	25,220	285,309
Insurance	52,263	-	9,502	33,258	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,306	25,973	155,302
Campaign and community outreach	136,790	3,328	55,571	135,535	1,978	4,769	-	-	-	17,044	9,596	16,116	7,344	-	3,304	5,911	137	-	-	17,237	96,926	1,272,865	1,784,451
Building services	171,813	12,590	66,693	108,106	-	-	223,810	-	-	-	-	-	-	-	-	-	-	-	-	-	51,293	-	634,305
Office service and equipment contract	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	754	-	754
Office supplies	58,548	279	37,921	37,288	1,127	613	-	-	649	245	2,042	-	-	-	828	1,207	-	-	-	43	3,657	7,806	152,253
Legal services	6,272	-	1,140	3,991	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,800	23,203
Postage and direct marketing	35,000	283	39,244	26,059	1,197	167	-	-	-	1,460	74	45	-	-	-	320	40	-	-	204	493	7,012	111,598
Public relations and education	204,975	-	63,069	47,302	-	-	-	-	-	-	-	2,031	-	-	-	-	-	-	-	-	43,623	20,528	381,528
Missions	153,993	-	57,747	109,078	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320,818
Subscriptions and dues	7,296	25	15,983	3,973	-	-	-	-	-	2,553	11,572	-	135,693	2,023	570	89	-	-	-	-	594	12,914	193,285
Telephone	13,928	946	62,603	10,964	8,096	1,557	-	-	-	959	1,816	-	-	-	1,067	2,532	-	941	-	450	5,560	14,737	126,156
Transportation	17,958	487	4,551	11,749	1,604	1,581	-	-	-	1,566	-	-	134	-	6,723	26,970	-	-	-	1,174	9,227	7,694	91,418
Interest expense	-	-	102,374	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102,374
Miscellaneous	1,209	517	9,532	1,337	1,010	7	-	69	15,574	-	1,769	25	-	-	1,763	345	-	-	-	-	1,365	4,050	38,572
Total before depreciation and amortization	3,671,060	264,349	2,632,879	2,114,176	198,245	150,567	294,167	164,324	16,223	324,631	250,483	49,930	200,848	2,023	158,655	269,776	1,103	941	89,647	118,799	669,877	3,081,997	14,724,700
Depreciation and amortization	81,116	2,704	31,608	27,874	-	-	48,066	-	-	-	-	-	-	-	-	-	-	-	-	-	24,758	7,065	223,191
Total functional expenses	\$ 3,752,176	\$ 267,053	\$ 2,664,487	\$ 2,142,050	\$ 198,245	\$ 150,567	\$ 342,233	\$ 164,324	\$ 16,223	\$ 324,631	\$ 250,483	\$ 49,930	\$ 200,848	\$ 2,023	\$ 158,655	\$ 269,776	\$ 1,103	\$ 941	\$ 89,647	\$ 118,799	\$ 694,635	\$ 3,089,062	\$ 14,947,891

The accompanying notes are an integral part of these consolidated financial statements.

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017

	Fundraising	Administration of Allocations	Management and General	Community Leadership and Development	South Dade Leadership Development	The Network	Agency Programming Services	Golden Care Foundation	Passport to Israel	Mishkan Miami	Jewish Community Relations Council	Organization for Leadership Advancement in Miami	PJ Library	J Works Miami	Community Security	Israel and Overseas	Create a Jewish Legacy	Risk Management	Agency Operations	Jewish Volunteer Services	Holocaust Memorial Committee	Center for the Advancement of Jewish Education	Total
Salaries	\$ 1,982,606	\$ 193,224	\$ 1,520,368	\$ 1,194,954	\$ 136,205	\$ 146,491	\$ 52,047	\$ 103,344	\$ -	\$ 252,610	\$ 175,727	\$ 25,120	\$ 37,233	\$ 9,938	\$ 124,492	\$ 191,431	\$ 7,597	\$ -	\$ 64,765	\$ 67,286	\$ 335,019	\$ 1,257,787	\$ 7,878,244
Employee benefits	339,472	24,718	213,770	177,023	22,897	26,045	10,092	14,109	-	20,620	27,530	2,422	136	6,426	2,478	25,004	-	-	10,112	12,972	48,334	181,979	1,166,139
Payroll taxes	117,286	12,500	100,980	73,742	10,514	11,031	3,713	10,126	-	13,816	12,079	1,870	2,742	1,283	8,816	8,512	-	-	4,672	5,141	17,380	78,128	494,331
Total salaries and related expenses	2,439,364	230,442	1,835,118	1,445,719	169,616	183,567	65,852	127,579	-	287,046	215,336	29,412	40,111	17,647	135,786	224,947	7,597	-	79,549	85,399	400,733	1,517,894	9,538,714
Super Sunday	56,617	-	-	9,991	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,608
Auditing	-	-	75,956	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,956
Donor relations	21,133	-	4,696	13,076	54	-	-	16,139	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,098
Conferences	34,001	3,884	24,307	23,391	-	-	-	-	-	6,392	17,344	-	-	-	3,971	4,564	3,062	-	-	-	1,815	62,917	185,648
Copying and duplicating	18,504	2,028	30,878	13,954	5,032	1,909	-	-	-	1,656	1,656	-	-	-	-	-	-	-	-	-	66	7,914	83,597
Management information Services	105,295	-	44,837	708	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,520	33,988	191,348
Insurance	64,189	-	11,671	40,848	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,223	10,091	167,022
Campaign and community outreach	157,765	1,690	67,205	165,735	2,522	5,831	-	-	-	21,601	7,783	21,001	14,353	25	2,249	5,061	8,182	-	-	16,709	109,633	1,551,212	2,158,557
Building services	150,021	10,993	58,234	94,395	-	-	216,923	-	-	-	-	-	-	-	-	-	-	-	-	-	75,178	-	605,744
Office service and equipment contract	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,556	-	2,556
Office supplies	49,172	514	37,966	33,040	1,222	854	-	-	535	937	645	-	-	-	834	1,805	-	-	-	679	5,833	8,693	142,729
Legal services	22,547	-	4,099	14,348	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,010	50,004
Postage and direct marketing	47,873	109	43,557	34,598	814	205	-	-	-	2,117	117	-	26	-	-	300	-	-	-	-	1,206	12,258	143,180
Public relations and education	134,221	-	40,882	32,317	-	-	-	-	-	-	-	3,270	342	27	-	-	90	-	-	-	33,118	31,326	275,593
Missions	8,536	-	3,201	6,046	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,783
Subscriptions and dues	8,395	27	8,168	4,823	-	-	-	-	-	1,655	10,794	-	131,553	2,033	496	472	-	-	-	-	546	16,806	185,768
Telephone	17,777	1,158	52,612	13,023	12,166	1,488	-	-	-	1,696	2,416	-	-	250	1,285	2,516	-	1,285	-	750	5,393	14,308	128,123
Transportation	17,363	465	4,103	11,521	1,960	3,041	-	-	-	724	-	-	252	39	6,948	19,455	39	-	-	2,817	8,163	4,175	81,065
Interest expense	-	-	74,430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74,430
Miscellaneous	1,507	308	7,328	1,470	1,078	-	-	69	11,402	-	1,288	-	-	-	60	509	-	-	-	171	6,385	7,570	39,145
Total before depreciation and amortization	3,354,280	251,618	2,429,248	1,959,003	194,464	196,895	282,775	143,787	11,937	323,824	257,379	53,683	186,637	20,021	151,629	259,629	18,970	1,285	79,549	106,525	697,368	3,288,162	14,268,668
Depreciation and amortization	71,105	2,556	26,973	27,511	-	-	50,411	-	-	-	-	-	-	-	-	-	-	-	-	-	30,696	6,920	216,172
Total functional expenses	\$ 3,425,385	\$ 254,174	\$ 2,456,221	\$ 1,986,514	\$ 194,464	\$ 196,895	\$ 333,186	\$ 143,787	\$ 11,937	\$ 323,824	\$ 257,379	\$ 53,683	\$ 186,637	\$ 20,021	\$ 151,629	\$ 259,629	\$ 18,970	\$ 1,285	\$ 79,549	\$ 106,525	\$ 728,064	\$ 3,295,082	\$ 14,484,840

The accompanying notes are an integral part of these consolidated financial statements.



# GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30,

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 27,349,531	\$ 37,064,409
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	223,191	216,172
Net realized gains on investments	(10,642,988)	(807,502)
Net unrealized gains on investments	(4,920,984)	(18,107,829)
Provision for estimated uncollectible pledges, net	1,263,336	828,625
Change in split-interest agreements	196,926	338,385
Excess of assets acquired over liabilities assumed in transfer of assets of agency	(516,528)	-
Loss on disposal of property and equipment	-	5,404
(Increase) decrease in:		
Pledges receivable	(3,807,411)	(2,311,933)
Due from beneficiary agencies	(193,095)	(182,346)
Other assets	614,059	(50,286)
Increase (decrease) in operating liabilities:		
Allocations payable – The Jewish Federations of North America	(229,102)	(348,896)
Allocations payable – Targeted grants for Israel	(24,859)	157,621
Allocations payable – Beneficiary agencies	(229,415)	(28,548)
Allocations payable – Other	98,400	(86,171)
Accounts payable and other liabilities	(391,856)	898,697
<b>TOTAL ADJUSTMENTS</b>	<b>(18,560,326)</b>	<b>(19,478,607)</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>8,789,205</b>	<b>17,585,802</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(126,130)	(278,683)
Cash and receivables transferred in from transfer of assets of agency	516,528	-
Purchases of investments	(32,567,604)	(42,632,656)
Sales of investments	11,635,331	25,353,512
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(20,541,875)</b>	<b>(17,557,827)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Obligations to affiliated agencies for assets held in trust	3,456,885	4,420,558
Payments on split-interest agreements	(324,853)	(305,382)
Borrowings under line of credit	4,800,000	3,000,000
Repayments on line of credit	(3,800,000)	(3,000,000)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>4,132,032</b>	<b>4,115,176</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,620,638)</b>	<b>4,143,151</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>28,450,440</b>	<b>24,307,289</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 20,829,802</b>	<b>\$ 28,450,440</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 102,374	\$ 74,430

The accompanying notes are an integral part of these consolidated financial statements.

## GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

#### 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Organization

Greater Miami Jewish Federation, Inc. is a nonprofit organization that supports local, national and overseas Jewish health and human services and educational programs through its fundraising efforts. Its fundraising activities provide annual financial support to benefit more than 100 vital programs and services in Miami, Israel, and more than 70 other countries worldwide.

##### Basis of Consolidation

The consolidated financial statements include the accounts of Greater Miami Jewish Federation, Inc. ("GMJF"), the Foundation of the Greater Miami Jewish Federation (a committee of GMJF) (the "Foundation"), Center for the Advancement of Jewish Education, Inc. ("CAJE"), Holocaust Memorial Committee, Inc. ("HMC") and Hebrew Free Loan Association of South Florida, Inc. ("HFLA") and will be referred to collectively as the "Federation" hereafter. All intercompany accounts and transactions have been eliminated for consolidated financial statement presentation.

Effective July 1, 2017, HFLA became an operating subsidiary of the Federation. The accounts of HFLA are included in the consolidated financial statements. The business combination was accounted for as a transfer of assets under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-805 at July 1, 2017. No consideration was transferred in the acquisition by the Federation. The fair value of the net assets acquired totaled approximately \$516,000 at July 1, 2017 and has been recorded as an additional contribution for the year ended June 30, 2018 and is included in the consolidated statements of activities under the caption "non-campaign contributions and bequests" for the year ended June 30, 2018.

The fair value of HFLA's assets and liabilities at the date of transfer are as follows:

ASSETS	
Cash	\$ 368,218
Accounts receivable	148,310
Total assets	516,528
NET ASSETS	
Unrestricted	516,528
Total net assets	\$ 516,528

##### Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting. The Federation follows the provisions of an accounting standard which requires it to report information regarding its financial position according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

##### Net Assets

*Unrestricted net assets* - are not subject to donor-imposed stipulations. A portion of these net assets may be designated by the Board of Directors of the Federation for future investment and are reflected in the consolidated statements of financial position as unrestricted net assets.

*Unrestricted board designated* - The part of unrestricted net assets of the Federation resulting from contributions whose use by the Federation is not limited by donor-imposed stipulations. The Federation has internally earmarked such funds.

*Temporarily restricted net assets* - are subject to donor-imposed stipulations that may or will be met, either by actions of the Federation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

## GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

#### 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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##### **Net Assets (Continued)**

*Permanently restricted net assets* - are subject to donor-imposed stipulations that they be maintained permanently by the Federation. Generally, the donors of these assets permit the Federation to use all or part of the income earned on any related investments for general or specific purposes.

##### **Cash and Cash Equivalents**

The Federation considers all liquid investments with a maturity of three months or less at purchase to be cash equivalents.

##### **Pledges Receivable, net**

Pledges receivable are unconditional promises to give and primarily consist of annual gifts from private donors. Pledges, less a provision for estimated uncollectible amounts and unamortized discounts, are recorded as a receivable and revenue when pledges are made. Pledges determined to be uncollectible during the year in which such pledges are received are shown as a reduction of contributions. Pledges determined to be uncollectible subsequent to the year in which such pledges are received are charged to the bad debt. The allowance for uncollectible pledges is based, among other things, on the Federation's past collection experience and the impact of changes in current economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are discounted using a market rate of return and are recorded at net present value.

##### **Investments and Fair Value Measurements**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Realized and unrealized gains (on investments are reflected in the consolidated statements of activities within "investment income, net." Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income recognized.

Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular instruments. Changes in assumptions or in market conditions could significantly affect the estimates. The carrying amount of all financial assets and liabilities approximates fair value.

##### **Property and Equipment, net**

Property and equipment are recorded at cost at the date of purchase or, if contributed, the fair value at the date of donation. The Federation capitalizes expenditures for property and equipment in excess of \$1,000. Depreciation and amortization is computed on the straight-line method over the estimated useful life of the assets.

The carrying value of long-lived assets is reviewed if the facts and circumstances, such as significant declines in revenues, earnings or cash flows or material adverse changes in the Federation's climate, indicate that they may be impaired. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets are adjusted to reflect such impairment based on the fair value of the impaired assets or an estimate of fair value based on discounted cash flows.

##### **Split-Interest Gifts**

The Federation is trustee and remainder beneficiary of various charitable remainder unitrusts and charitable annuity trusts. Trust assets are stated at fair market value. Liabilities are determined using Internal Revenue Service actuarial assumptions, discounted using the applicable federal rate in effect at the date of the gift.

## GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

#### 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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##### **Split-Interest Gifts (Continued)**

A contribution is recorded at the time of the gift as the difference between the fair value of the assets received and the liabilities incurred in the exchange portion of the agreement for these irrevocable transfers of assets. Contribution revenue and the net changes in the value of these split-interest agreements amounted to approximate (losses) gains of (\$98,000) and \$24,000 during the years ended June 30, 2018 and 2017, respectively, and are included in "non-campaign contributions and bequests" in the consolidated statements of activities.

The assets related to the split-interest agreements, included in cash and investments in the consolidated statements of financial position, amount to approximately \$4,078,000 and \$4,112,000, and amounts included in other assets amount to approximately \$1,722,000 and \$1,873,000 at June 30, 2018 and 2017, respectively. The liabilities of the split-interest agreements, included in the consolidated statements of financial position, total \$2,787,230 and \$2,915,157 at June 30, 2018 and 2017, respectively.

##### **Contributions**

Contributions received including unconditional promises to give are recorded at their fair value and are reported as an increase in net assets. The Federation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The Federation has been allocated \$1,394,845 and \$1,672,728 from the United Way on behalf of affiliated agencies for the years ended June 30, 2018 and 2017, respectively. As a fiduciary, these funds are passed through to affiliated agencies where they are recorded as revenue in the affiliated agencies' statements of activities. These activities are not reflected in the Federation's consolidated financial statements as of June 30, 2018 and 2017.

##### **Significant Donors**

During the year ended June 30, 2018, one donor made substantial gifts, which are included in the caption "non-campaign contributions and bequests" in the consolidated statements of activities totaling approximately \$15,711,000. During the year ended June 30, 2017, one donor made substantial gifts, which are included in the caption "non-campaign contributions and bequests" in the consolidated statements of activities totaling approximately \$26,744,000. The gifts accounted for approximately 20% and 29% of total revenues for the years ended June 30, 2018 and 2017, respectively.

##### **Donated Services**

A substantial number of volunteers have donated time to the Federation's program services and fundraising campaigns during the years ended June 30, 2018 and 2017; however, these donated services are not reflected in the consolidated financial statements since the services do not meet recognition requirements under current pronouncements. Additionally, certain professional services were donated during the years ended June 30, 2018 and 2017. These donated services are also not reflected as contributions in the accompanying consolidated financial statements as management believes they are not material to the consolidated financial statements.

## **GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017**

#### **1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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##### **Concentrations of Credit and Market Risk**

Financial instruments which potentially subject the Federation to concentrations of credit and market risk consist primarily of cash and cash equivalents, pledges and investments. The Federation maintains cash balances at several financial institutions in South Florida. Accounts in each institution are insured by the Federal Deposit Insurance Corporation in accordance with current regulations, which provides for insurance up to \$250,000. Cash equivalents are maintained at high-quality financial institutions. The Federation has not experienced any losses on its cash and cash equivalents.

Management considers credit risk associated with pledges receivable to be low due to the diversity of the donors and the recurring nature of many donations. Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The Federation has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks.

##### **Use of Estimates**

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Income Taxes**

The Federation is a nonprofit corporation whose revenue is derived from contributions and other fundraising activities. The Federation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and sales and use tax under the laws of the State of Florida. During the years ended June 30, 2018 and 2017, the Federation generated net unrelated business income from certain alternative investments. No provisions for Federal or State income taxes were recorded as the amounts are immaterial to these consolidated financial statements.

The Federation recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Federation files income tax returns. The Federation is generally no longer subject to U.S. Federal or State examinations by tax authorities for fiscal years before 2015.

##### **Functional Allocation of Expenses**

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

## GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

#### 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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##### Recent Accounting Pronouncements

###### Revenue from Contracts With Customers

In May 2014, the FASB issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

###### Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements and lessor accounting. The Federation is currently evaluating the effect the update will have on its consolidated financial statements and expects upon adoption that the update will have a material effect on the Federation's financial condition due to the recognition of a right-of-use asset and related lease liability. The Federation does not anticipate the update having a material effect on the Federation's change in net assets or cash flows, though such an effect is possible. The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected after the adoption of the new lease guidance, the Federation's presentation of comparative periods in the consolidated financial statements will continue to be in accordance with current lease accounting. The Federation is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted.

###### Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

###### Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

# GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

### 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Recent Accounting Pronouncements (Continued)

##### Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Federation is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its consolidated financial statements.

#### Subsequent Events

The Federation has evaluated subsequent events through December 17, 2018, which is the date the consolidated financial statements were available to be issued.

#### Reclassifications

Certain items in the 2017 consolidated financial statements were reclassified to conform to the 2018 presentation.

### 2. INVESTMENTS

Investments include the following at June 30,:

	<b>2018</b>		
	Investments Measured at Fair Value	Investments Measured at NAV	Total
Mutual funds	\$ 135,401,625	\$ -	\$ 135,401,625
Equity securities	25,749,190	-	25,749,190
Commodities funds	702,657	-	702,657
State of Israel bonds	14,090,452	-	14,090,452
Corporate debt securities	1,625,226	-	1,625,226
Government securities	5,951	-	5,951
Alternative strategies	13,575,938	113,516,843	127,092,781
	<b>\$ 191,151,039</b>	<b>\$ 113,516,843</b>	<b>\$ 304,667,882</b>
	<b>2017</b>		
	Investments Measured at Fair Value	Investments Measured at NAV	Total
Mutual funds	\$ 142,931,417	\$ -	\$ 142,931,417
Equity securities	8,512,845	-	8,512,845
Commodities funds	587,574	-	587,574
State of Israel bonds	13,582,324	-	13,582,324
Corporate debt securities	1,842,585	-	1,842,585
Government securities	6,339	-	6,339
Alternative strategies	5,116,588	95,591,965	100,708,553
	<b>\$ 172,579,672</b>	<b>\$ 95,591,965</b>	<b>\$ 268,171,637</b>

## GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

#### 3. FAIR VALUE MEASUREMENTS

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The FASB established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Federation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

The *Mutual Funds and Equity Securities* portfolios consist of mutual funds and equity securities managed by independent investment managers with discretionary investment authority. Equity securities consist primarily of common stocks. Mutual Funds and Equity Securities Portfolio investments are valued at the closing price reported in the active market in which the individual securities are traded.

The *Commodities Funds* consist of actively traded commodities investments held by independent investment advisors. These investments are valued at their current market value determined on the basis of quotations. The investment objective of these funds are to outperform major commodities indices with a lower volatility. There are no funding commitments, and the funds are redeemable upon demand.

The *Corporate Debt Securities* portfolio consist of investments in securities issued by corporations. These investments are valued at the closing price reported in the active market in which the individual securities are traded.

The *State of Israel Bonds* consist of individual bonds issued by the State of Israel. These securities are held to maturity. State of Israel Bonds are valued at fair value by discounting the related cash flows based on current yields of similar investments with comparable duration considering the credit-worthiness of the issuer (an amount which approximates the fair value).

The *Alternative Strategies* portfolio is comprised of investments in limited partnership funds where the Federation has the right to withdraw its investments at least quarterly or annually after the expiration of "lock-up" periods of one to three years. These investments are funded not just by an initial contribution but also by periodic capital calls. The Federation's interests in alternative investment funds are generally reported at net asset value ("NAV") reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Federation's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. As of June 30, 2018 and 2017, the Federation had no plans or intentions to sell investments at amounts different from NAV.



# GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

### 3. FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Federation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following table represents the Federation's financial instruments measured at fair value on a recurring and nonrecurring basis for each of the fair value hierarchy levels or net asset value:

Description	Fair Value Measurement at Reporting Date Using:			
	Fair Value 6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Recurring basis:</b>				
Mutual funds	\$ 135,401,625	\$ 135,401,625	\$ -	\$ -
Equity securities	25,749,190	25,749,190	-	-
Commodities funds	702,657	702,657	-	-
State of Israel bonds	14,090,452	-	14,090,452	-
Corporate debt securities	1,625,226	1,625,226	-	-
Government securities	5,951	-	5,951	-
Alternative strategies	13,575,938	-	-	13,575,938
	191,151,039	163,478,698	14,096,403	13,575,938
Investments at net asset value	113,516,843			
Total investments	<b>\$ 304,667,882</b>			

Description	Fair Value Measurement at Reporting Date Using:			
	Fair Value 6/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Recurring basis:</b>				
Mutual funds	\$ 142,931,417	\$ 142,931,417	\$ -	\$ -
Equity securities	8,512,845	8,512,845	-	-
Commodities funds	587,874	587,874	-	-
State of Israel bonds	13,582,324	-	13,582,324	-
Corporate debt securities	1,842,585	1,842,585	-	-
Government securities	6,339	-	6,339	-
Alternative strategies	5,116,588	-	-	5,116,588
	172,579,972	153,874,721	13,588,663	5,116,588
Investments at net asset value	95,591,965			
Total investments	<b>\$ 268,171,937</b>			

# GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

### 3. FAIR VALUE MEASUREMENTS (CONTINUED)

The following sets forth a summary of changes in the fair value of the Federation's level 3 assets for the years ended June 30,:

	2018	2017
Balance, beginning of year	\$ 5,116,588	\$ 6,783,631
Realized (losses) gains	(1,278)	188,078
Unrealized gains	565,499	28,615
Withdrawals	(13,912)	(1,883,736)
Capital contributions	7,909,041	-
Balance, end of year	<u>\$ 13,575,938</u>	<u>\$ 5,116,588</u>

Investments measured at net asset value:

	Net Asset Value as of June 30, 2018	Net Asset Value as of June 30, 2017	Unfunded Commitments as of June 30, 2018	Redemption Date	Redemption Frequency	Redemption Notice period
<b>Credit/Distressed (a)</b>						
Brigade Leverage	\$ 2,506,256	\$ 2,374,897	-	9/30/2018	Quarterly	60 Days
Regiment Capital	107,017	114,484	-	None	None	NA
GCA Credit Opportunities	3,424,862	3,209,668	-	9/30/2018	Quarterly	60 Days
Yuield Fund, L.P.	8,617,487	8,493,494	-	None	Monthly	30 Days
<b>Event Driven (b)</b>						
Luxor Capital Partners	46,049	176,423	-	None	None	NA
Mason Capital	10,130	10,129	-	None	None	NA
Taconic Opportunity Offshore	2,167,550	2,031,960	-	8/31/2018	Quarterly	60 Days
Davidson Kemper International	2,322,256	2,230,978	-	8/31/2018	Monthly	60 Days
<b>Hedged Equity/ Long Short (c)</b>						
Highline Capital International	2,014,530	2,063,144	-	7/31/2018	Quarterly	30 Days
Theleme	4,854,681	4,449,051	-	6/30/2018	None	NA
PFM Diversified Archstone Absolute	2,363,219	1,921,953	-	9/30/2018	Quarterly	60 Days
Thirteen Partners	7,965,015	7,211,346	-	None	Semi-annual	95 Days
Kabouter International Emerging	3,612,447	3,219,101	-	None	Quarterly	30 Days
Oaktree Emerging Markets	2,743,444	2,591,377	-	None	Daily	30 Days
Lakewood Capital Offshore	2,118,213	2,139,753	-	9/30/2018	Quarterly	60 Days
Silchester International Value Equity Trust	13,301,656	12,513,903	-	None	Monthly	30 Days
IAM Global	2,815,576	2,658,909	-	None	Monthly	31 Days
Parametric Defense	4,303,939	4,020,036	-	None	Daily	NA
Westwood Global	4,890,459	4,608,117	-	7/31/2018	Monthly	30 Days
<b>Global Macro (d)</b>						
Brevan Howard Fund Limited	2,644,905	2,442,530	-	9/30/2018	Monthly	90 Days
Caxton Global Investment	2,063,856	2,064,501	-	9/30/2018	Quarterly	45 Days
Two Sigma Spectrum Cayman	3,205,322	-	-	9/30/2018	Quarterly	55 Days
<b>Private Equity/Venture Capital (e)</b>						
Axxon Brazil Private Equity Fund III	188,577	103,149	861,711	None	None	NA
BPC Opportunities Fund II LP	200,613	330,529	-	None	None	NA
DTC Private Equity II-Q	1,128,198	1,564,246	300,000	None	None	NA
Precision Capital	498,097	608,121	190,000	None	None	NA
Greenspring IV	1,171,307	1,150,340	40,000	None	None	NA
Tiff Equity Partners	1,477,520	1,589,393	300,000	None	None	NA
RCP Fund VII	1,016,592	1,058,782	59,312	None	None	NA
Cressey & Company	2,244,251	1,025,149	220,000	None	None	NA
IDG Capital Partners IV	1,764,121	1,244,176	116,700	None	None	NA
Sorenson Capital Partners	869,809	675,513	484,132	None	None	NA
Glendon Opportunities	1,854,578	1,529,729	500,000	None	None	NA
MCP Private Capital Partners	436,829	-	1,876,340	None	None	NA
Endeavour Capital Fund VII, LLP	1,266,798	875,992	1,951,000	None	None	NA
Siris Partners	1,725,743	937,533	675,191	None	None	NA
Veritas Capital Fund	689,567	126,761	2,611,540	None	None	NA
Altaris Capital Partners, LLC	631,114	-	-	None	None	NA
Davidson Kempner	5,006,025	-	-	None	Quarterly	60 days
<b>Private Real Assets (f)</b>						
Kaplan Family Foundation	187,272	-	346,772	None	None	NA
Flag Real Estate	416,755	506,160	70,000	None	None	NA
Flag Energy Resources	533,470	541,736	19,996	None	None	NA
Energy Spectrum	799,599	309,496	353,969	None	None	NA
Madison Int'l Realty	6,194	13,005	9,822	None	None	NA
Taconic Cre Dislocation Fund	919,946	758,888	389,838	None	None	NA
Ares PCS (Cayman) LP	-	56,865	443,135	None	None	NA
PE CO-Inv OPP I (Cayman)	-	37,500	262,500	None	None	NA
BBR Absolute Return Ltd	2,530,863	2,025,291	-	9/30/2018	Quarterly	60 Days
BBR Active Equity(QP), LP	2,178,256	2,639,117	-	7/31/2018	Monthly	10 Days
BBR Equity Long/Short Ltd	4,288,582	4,394,658	-	9/30/2018	Quarterly	70 Days
BBR Private Investment Fund-Series H, LP	719,009	469,860	-	None	None	NA
BBR Real Assets Fund III LP	668,289	474,222	-	None	None	NA
<b>TOTAL</b>	<u>\$ 113,516,843</u>	<u>\$ 95,591,965</u>	<u>\$ 12,081,958</u>			

## GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

#### 3. FAIR VALUE MEASUREMENTS (CONTINUED)

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The Federation's financial assets are invested in publicly traded equities that are listed on national exchanges, treasury and agency bonds of the United States of America and International Governments, and investment grade corporate bonds for which active trading markets exist. Such assets are valued at quoted closing prices at year end.

As a practical expedient, the Federation relies on the NAVs of certain investments as their fair value. The NAVs that have been provided by investees are derived from their values of the underlying investments as of the reporting date. The tables above summarize, as of June 30, 2018 and 2017, the nature of these investments and any related liquidation restrictions or other factors, which may impact the ultimate value realized.

Included in alternative strategies are investments in offshore funds that include investments in hedge funds. The offshore funds are located primarily in the Cayman and British Virgin Islands. As part of the alternative strategy investment structure, initial capital commitments are required. Reflected at net asset value below are the amounts that have been funded toward the capital commitments.

- (a) The investment objective of the funds is to obtain a positive return regardless of fluctuations in the capital markets through, long/short equity positions, distressed securities, fixed income arbitrage and other derivative instruments.
- (b) A hedge fund style that aims to profit from the mispricing of securities related to hard and/or soft catalysts. Examples include mergers (merger arbitrage), restructurings, bankruptcies, litigation, regulatory and legislative changes. Activist investors who seek value creation through board participation or management changes are also included in this category.
- (c) The investment objective of the funds is to seek maximum capital while incurring reasonable risk appreciation primarily by using a variety of investment techniques, including employing three event-driven investment strategies: merger arbitrage; distressed securities, special situations and other funds.
- (d) A hedge fund style focused on employing a top-down approach to invest in any market in order to capture extended market movements. Global macro managers generally have broad mandates to invest globally across all asset classes. These managers tend to employ leverage and have exposure to global interest rates, currencies, commodities and equities.
- (e) A hedge fund style that opportunistically allocates capital to various hedge fund strategies and uses diversification to reduce asset-class and single-strategy risks. Ideally, multi-strategy portfolio managers tactically shift capital among strategies in order to capitalize on current market opportunities. Some multi-strategy funds act as a collection of traders, while others have a more formal organizational structure.
- (f) The investment objective of the funds is to obtain significant returns for its partners through capital appreciation. Partnerships pursue an investment strategy of making private equity investments in the following categories: venture capital, buyout, mezzanine financing and distressed securities in a variety of industries.

Investments include certain donations that are restricted by either purpose or time. Approximately \$38,664,000 and \$39,266,000 of total investments are temporarily restricted at June 30, 2018 and 2017, respectively. Approximately \$14,590,000 and \$14,006,000 of total investments are permanently restricted at June 30, 2018 and 2017, respectively.

# GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

### 3. FAIR VALUE MEASUREMENTS (CONTINUED)

At June 30, 2018 and 2017, the Federation investment in Israel Bonds totaled approximately \$14,090,000 and \$13,582,000, respectively. The bonds consist of various maturities and interest rates. It is the Federation's policy to hold Israel Bonds to maturity. Bonds held in the Federation's investment pool, within the Foundation, are renewed upon maturity, while bonds held by the Federation in its general fund are redeemed for cash at maturity. There is no active trading market for Israel Bonds, although there is a secondary market. The secondary market provides a way for holders of Israel Bonds to raise cash by selling the bonds at a discount ranging from 5% to 20%, depending on maturity date. Because the Federation holds Israel Bonds to maturity, the valuation on the books of Federation is equal to the purchase price of the bond. There has never been a default of any bond and interest payments have always been received when due.

Certain investments have been made on behalf of affiliated agencies. These investments are reflected as investments and obligations to affiliated agencies for assets held in trust in the consolidated statements of financial position. As of June 30, 2018 and 2017, total investments of \$35,843,680 and \$32,386,795, respectively, are held in trust for affiliated agencies and are reflected in the consolidated statements of financial position.

Investment income, net, consists of the following at June 30, 2018 and 2017:

<b>2018</b>				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ 2,588,714	\$ 450,666	\$ -	\$ 3,039,380
Investment fees	(1,352,596)	-	-	(1,352,596)
Net realized gains	10,059,224	583,764	-	10,642,988
Net unrealized gains	3,555,806	1,365,178	-	4,920,984
	<b>\$ 14,851,148</b>	<b>\$ 2,399,608</b>	<b>\$ -</b>	<b>\$ 17,250,756</b>
<b>2017</b>				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ 2,937,880	\$ 516,528	\$ -	\$ 3,454,408
Investment fees	(735,625)	-	-	(735,625)
Net realized gains	680,670	126,832	-	807,502
Net unrealized gains	14,208,595	3,899,234	-	18,107,829
	<b>\$ 17,091,520</b>	<b>\$ 4,542,594</b>	<b>\$ -</b>	<b>\$ 21,634,114</b>

# GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

### 4. PLEDGES RECEIVABLE, NET

The pledges receivable are due as follows at June 30:

	<u>2018</u>	<u>2017</u>
Amounts due in less than one year	\$ 14,012,529	\$ 13,392,247
Amount due in one to five years	<u>3,270,985</u>	<u>868,200</u>
Gross pledges receivable	17,283,514	14,260,447
Less: Allowance for uncollectible pledges - campaigns prior to 2018 and 2017	(3,618,918)	(3,633,265)
Allowance for uncollectible pledges - 2018 and 2017 campaign, respectively	(1,263,336)	(828,625)
Unamortized discount	<u>(92,622)</u>	<u>(33,994)</u>
Pledges receivable, net	<u><b>\$ 12,308,638</b></u>	<u><b>\$ 9,764,563</b></u>

Included in net campaign and other current pledges revenue of \$22,124,223 is \$1,729,890 related to Supplemental Campaign Income for the year ended June 30, 2018. Included in net campaign and other current pledges revenue of \$22,428,675 is \$1,196,162 related to Supplemental Campaign Income for the year ended June 30, 2017. Bad debt expense on pledges totaled \$1,263,336 and \$828,625 for the years ended June 30, 2018 and 2017, respectively.

Pledges receivable with payment terms in excess of one year have been discounted using an average market rate of interest (approximately 2.55% and 1.52% as of June 30, 2018 and 2017, respectively) to reflect their estimated present value.

### 5. DUE FROM BENEFICIARY AGENCIES, NET

Due from beneficiary agencies, net consisted of the following at June 30,:

	<u>2018</u>	<u>2017</u>
Due from beneficiary agencies	\$ 3,482,096	\$ 3,318,276
Less: Unamortized discount and allowance for uncollectible accounts	<u>(167,151)</u>	<u>(196,426)</u>
Due from beneficiary agencies, net	<u><b>\$ 3,314,945</b></u>	<u><b>\$ 3,121,850</b></u>

Due from beneficiary agencies represents non-interest bearing advances and interest bearing loans to various beneficiary agencies in addition to their annual allocations. The Federation anticipates that these amounts due will be collected from these beneficiary agencies in the ordinary course of business through fundraising efforts. These advances are due between one and sixteen years and have been discounted to their present value. At June 30, 2018 and 2017, a receivable from Jewish Community Services of South Florida, Inc. and Affiliate ("JCS") in the amount of \$1,072,500 and \$1,155,000, respectively, has been discounted over a period of fifteen years, using the U.S. Treasury risk free rate of return of approximately 2.50%.

# GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

### 6. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at June 30,:

	<u>2018</u>	<u>2017</u>	<u>Estimated useful lives</u>
Land	\$ 3,283,054	\$ 3,283,054	N/A
Buildings	1,599,261	1,599,261	40 years
Improvements	3,164,075	3,157,077	10 to 36 years
Office furniture, equipment and software	3,655,347	3,593,923	3 to 9 years
	<u>11,701,737</u>	<u>11,633,315</u>	
Less: accumulated depreciation and amortization	<u>(7,417,921)</u>	<u>(7,252,438)</u>	
Property and equipment, net	<u><b>\$ 4,283,816</b></u>	<u><b>\$ 4,380,877</b></u>	

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$223,191 and \$216,172, respectively.

### 7. OTHER ASSETS

Other assets consisted of the following at June 30,:

	<u>2018</u>	<u>2017</u>
Due from estates	\$ 1,116,787	\$ 1,663,775
Due from charitable trusts (Federation not trustee)	1,722,495	1,874,590
Cash surrender value of life insurance policies	2,467,030	2,327,559
Prepaid expenses	304,425	497,394
Due from JAFI and Tzedec economic development fund	1,478,085	1,537,478
Mortgage receivable – employee	220,926	268,413
Other receivables	3,895,971	3,650,569
	<u><b>\$ 11,205,719</b></u>	<u><b>\$ 11,819,778</b></u>

**GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**8. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

Accounts payable and other liabilities consisted of the following at June 30,:

	<b>2018</b>	<b>2017</b>
Accounts payable	\$ 3,747,334	\$ 3,505,248
Deferred compensation, refundable advances, and other deferred liabilities	2,264,164	2,898,106
	<b>\$ 6,011,498</b>	<b>\$ 6,403,354</b>

**9. SUMMARY OF ALLOCATIONS AND GRANTS FOR DESIGNATED PURPOSES**

Allocations and grants of unrestricted net assets categorized by type of program are as follows at June 30,:

	<b>2018</b>	<b>2017</b>
The Jewish Federations of North America	\$ 7,176,519	\$ 6,727,413
Annual Campaign Education and culture	3,184,464	3,200,404
Services to the aged	609,043	659,392
Youth services and recreation	2,589,695	2,588,746
Counseling services	698,223	698,223
Civil rights and civil liberties	89,000	255,700
Health services	234,317	243,404
High Holiday welcome program	93,000	93,000
Other	347,807	413,745
Target grants for Israel and overseas	828,377	620,672
Related organizations	-	47,105
Total allocations to agencies	8,673,926	8,820,391
Donor Advised and Other Designated Funds Federation and beneficiary agencies	3,976,323	5,053,312
Jewish charitable purposes	4,842,044	6,838,603
Organizations serving Florida	6,686,273	8,650,732
Organizations outside Florida	3,338,931	2,663,964
Other	78,017	164,967
	18,921,588	23,371,578
<u>Supporting Foundations:</u>		
Federation and beneficiary agencies	367,426	315,640
Jewish Charitable purposes	256,787	190,741
Organizations serving Florida	167,916	242,150
Organizations outside Florida	135,783	95,200
	927,912	843,731
Total allocations for grants and designated purposes	19,849,500	24,215,309
Total allocations	<b>\$ 35,699,945</b>	<b>\$ 39,763,113</b>

# GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

### 10. ENDOWMENTS

The Federation's endowments consist of individual funds established for a variety of purposes. Its endowments are comprised of unrestricted funds, donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Federation has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies as permanently restricted net assets (a) The original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations or losses 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 assets 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 the FUPMIFA.

The Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund earnings:

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

For the years ended June 30, 2018 and 2017, the Federation has elected not to add appreciation for cost of living or spending to its permanently restricted endowment funds.

A summary of endowment assets at June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ (1,522,307)	\$ 39,276,148	\$ 14,188,770	\$ 51,942,611
Board designated endowment funds	4,330,347	-	-	4,330,347
Total endowment net assets	<b>\$ 2,808,040</b>	<b>\$ 39,276,148</b>	<b>\$ 14,188,770</b>	<b>\$ 56,272,958</b>

A summary of endowment assets at June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ (1,072,217)	\$ 39,189,127	\$ 14,188,391	\$ 52,305,301
Board designated endowment funds	4,259,525	-	-	4,259,525
Total endowment net assets	<b>\$ 3,187,308</b>	<b>\$ 39,189,127</b>	<b>\$ 14,188,391</b>	<b>\$ 56,564,826</b>



# GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

### 10. ENDOWMENTS (CONTINUED)

The change in Endowment Assets for the year ended June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,259,525	\$ 39,189,127	\$ 14,188,391	\$ 57,637,043
Investment change	322,571	2,399,608	-	2,722,179
Contributions	-	699,113	379	699,492
Amounts appropriated for expenditure	(1,774,056)	(3,011,700)	-	(4,785,756)
	<b>\$ 2,808,040</b>	<b>\$ 39,276,148</b>	<b>\$ 14,188,770</b>	<b>\$ 56,272,958</b>

The change in Endowment Assets for the year ended June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,057,595	\$ 34,790,266	\$ 14,187,766	\$ 53,035,627
Investment change	409,574	4,502,894	-	4,912,468
Contributions	-	1,854,743	625	1,855,368
Amounts appropriated for expenditure	(1,279,861)	(1,958,776)	-	(3,238,637)
	<b>\$ 3,187,308</b>	<b>\$ 39,189,127</b>	<b>\$ 14,188,391</b>	<b>\$ 56,564,826</b>

**Permanently Restricted Net Assets:**

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by FUPMIFA

2018	2017
<b>\$ 14,188,770</b>	<b>\$ 14,188,391</b>

### 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 FUPMIFA requires the Federation to retain as a fund of perpetual duration. As of June 30, 2018 and 2017, the fair market value of permanently restricted assets was approximately \$15,120,000 and \$15,669,000, respectively. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets and amounted to approximately \$1,522,000 and \$1,072,000 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations.

### Return Objectives and Risk Parameters

The Federation has adopted investment and spending policies for endowment assets that attempt to provide a predictable 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 or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that are equivalent to the spending policy of 5 percent plus inflation while assuming a moderate level of investment risk. The Federation expects its endowment funds, over time, to provide a rate of return in excess of the original permanently restricted principal. Actual returns in any given year may vary.

### 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 diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term return objectives within prudent risk constraints.

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

The Federation has a general policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 6 calendar years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Federation considered the long-term expected return on its endowment. Accordingly, over the long term, the Federation expects the current spending policy to allow its endowment to grow. The Board of Directors approved a constant spending policy of 5%.

## GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

#### 11. COMMITMENTS AND CONTINGENCIES

##### Guarantees of Indebtedness

Pursuant to certain guaranty agreements, the Federation guarantees debt of certain beneficiary agencies. Should these agencies default on their debt payments, the Federation is responsible for the payment. On an ongoing basis, the Federation reviews its guarantees of the debt below.

The nature of the guarantees as of June 30, 2018 is as follows:

Borrower	Amount	Nature of Debt	Bond Maturity Date	Letter of Credit Expiration Date
Michael-Ann Russell JCC	\$ 9,000,000	Tax exempt bonds	January 29, 2039	October 20, 2019
Michael-Ann Russell JCC	7,500,000	Tax exempt loan	October 1, 2036	N/A
Dave and Mary Alper JCC	5,695,000	Tax exempt bonds	April 11, 2032	April 15, 2020
Gainesville Hillel, Inc.	5,000,000	Tax exempt bonds	May 8, 2033	May 15, 2021
Miami Beach JCC	9,360,000	Tax exempt bonds	July 1, 2041	July 1, 2019
University of Miami Hillel	3,500,000	Line of credit	June 30, 2022	N/A
	<b>\$ 40,055,000</b>			

The plan is for the above agencies to raise monies through fundraising efforts to satisfy their debt. The fair market value of the borrowers' properties is in excess of the outstanding debt.

Where indicated, the tax exempt bonds are credit enhanced by a letter of credit from a lender. If the letters of credit are not renewed prior to their expiration dates, in certain circumstances the bonds may be payable on the letter of credit expiration date. The Federation has no reason to believe that any of the letters of credit will not be renewed.

##### Michael-Ann Russell JCC

Regarding Michael-Ann Russell JCC ("MARJCC"), the Federation administers endowment funds totaling approximately \$2,984,000, which are reflected in the consolidated statements of financial position at June 30, 2018. Additionally, MARJCC has pledges of approximately \$4,828,000 and will continue fundraising to retire the debt when it becomes due.

##### Dave and Mary Alper JCC

Regarding Dave and Mary Alper JCC ("Alper"), the Federation administers endowment funds totaling approximately \$870,000, which are reflected in the consolidated statements of financial position at June 30, 2018. Alper continues to actively pursue capital contributions to pay off the tax exempt bonds when they become due.

##### Lehrman Community Day School

The Federation was removed as the guarantor of the Lehrman's term loan on August 29, 2017.

##### Gainesville Hillel, Inc.

Regarding Gainesville Hillel, Inc. ("Hillel"), the Federation administers endowment funds totaling approximately \$1,786,000, which are reflected in the consolidated statements of financial position at June 30, 2018. Additionally, Hillel continues to actively pursue capital contributions to pay off the tax exempt bonds as and when they become due.

##### Miami Beach Jewish Community Center, Inc.

In June 2011, Miami Beach Jewish Community Center, Inc. ("MBJCC") financed the construction of a new facility on Miami Beach through the Jewish Federations of North America National Jewish Federation Bond Program. This is tax-exempt financing in the amount of \$10.4 million. MBJCC was the borrower and Federation the guarantor. The Federation administers endowment funds totaling approximately \$3,956,000, which are reflected in the consolidated statements of financial position at June 30, 2018. Fundraising is reasonably expected to continue to pay off the tax exempt bonds as and when they become due, including annual debt amortization of \$260,000 which began on July 1, 2014.

## GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

#### 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

##### Guarantees of Indebtedness (Continued)

##### University of Miami Hillel

During 2015, the University of Miami Hillel financed the complete renovation of the Hillel facility on the campus of the University of Miami. The renovation was financed by a seven-year Line of Credit of up to \$3,500,000 guaranteed by the Federation. Currently, the University of Miami Hillel has approximately \$479,000 in an endowment administered by the Federation at June 30, 2017. Also at June 30, 2018 the University of Miami Hillel has approximately \$1,379,000 in pledges that have not yet been collected and is expected to continue to meet its interest and principal obligations. The balance of the Line of Credit at June 30, 2018 is \$943,000. No further draws on the Line are expected.

Additionally, the Federation monitors the financial position and results of the borrowers' activities on a regular basis. Based on the foregoing and other information, the Federation believes the likelihood that it will have to record these guarantees in its consolidated financial statements is remote.

##### Operating Leases

The Federation entered into various agreements to lease office equipment at a monthly payment of \$6,500 for a term of five years through June 2020.

#### 12. LINE OF CREDIT

On February 21, 2012, the Federation entered into a revolving line of credit agreement for a two-year period with a financial institution to borrow up to \$7,000,000. The line of credit agreement was extended for another two years that commenced February 21, 2014. On March 28, 2016, the line of credit was increased to \$8,000,000. On June 1, 2018, the line was extended with the new maturity date of April 30, 2020. The line of credit was obtained to provide availability of funds for the working capital needs of the Federation. The outstanding balance is \$4,500,000 and \$3,500,000, at June 30, 2018 and 2017, respectively. The line of credit bears interest at the 30-day LIBOR rate plus 110 basis points at June 30, 2017. Effective with April 23, 2018, the interest rate is 30-day LIBOR rate plus 100 basis points. The interest rate was 2.98% and 2.30% as of June 30, 2018 and 2017, respectively. The agreement requires certain liquidity ratios be maintained. The Federation believes it was in compliance at June 30, 2018 and 2017. As of the date of this report, the balance on the line of credit is approximately \$6,000,000.

#### 13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted based on time and purpose restrictions. The time restrictions will be met when the contribution is received in the future. The purpose restrictions will be met when the net assets are used for specific programs or purposes.

Temporarily restricted net assets consist of the following as of June 30:

	2018	2017
Subsequent years operations	\$ 8,326,130	\$ 7,064,467
Agency programs	301,344	532,809
Annual campaign	448,433	443,419
Community programs	13,973,696	14,271,542
Education programs	841,068	605,505
Support for the elderly	672,859	661,888
Holocaust survivors support	126,790	121,450
Israel programs	13,925,051	13,991,143
Leadership programs	198,007	187,821
Medical assistance programs	630,818	593,191
Support for the needy	530,769	533,187
Scholarships	3,242,005	3,087,171
	<b>\$ 43,216,970</b>	<b>\$ 42,093,593</b>

## GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

#### 14. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support various designated programs and is included in temporarily restricted net assets until spent. Permanently restricted net assets amounted to \$15,852,572 and \$15,852,193 at June 30, 2018 and 2017, respectively.

Net investment earnings are included within temporarily restricted net assets to the extent that amount exceeds the corpus of the investment. At June 30, 2018 and 2017, the net assets released from permanently restricted asset restrictions was approximately \$790,000 and \$876,000, respectively.

Permanently restricted net assets consist of the following endowment funds at June 30:

	2018	2017
Agency programs	\$ 50,000	\$ 50,000
Annual campaign	4,425,897	4,425,897
Support for the elderly	6,622,395	6,622,016
Israel programs	143,135	143,135
Support for the needy	2,867,231	2,867,231
Scholarships	1,743,914	1,743,914
	<u>\$ 15,852,572</u>	<u>\$ 15,852,193</u>

The carrying amounts for cash and cash equivalents, receivables, accounts payable and certain other assets and liabilities approximate fair value due to the short-term nature of these financial instruments.

#### 15. LAND LEASES

As of March 19, 1989, the Federation entered into a ninety-nine year lease with Alper for the land which is now occupied by Alper. Alper agrees to pay the Federation an annual rental fee of \$1. The Federation has recognized the market value of the lease, estimated at \$225,600 annually, as rent income and allocation expense. As of January 25, 1977, the Federation entered into a ninety-nine year lease with the MARJCC for the land which is now occupied by MARJCC. The Federation has recognized the market value of the lease, estimated at \$210,000 annually, as rent income and allocation expense.