

GREATER MIAMI JEWISH FEDERATION, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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 statements of financial position as of June 30, 2019 and 2018, 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Greater Miami Jewish Federation, Inc. and Subsidiaries as of June 30, 2019 and 2018, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Miami, Florida
December 2, 2019

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GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	2019	2018
Cash and cash equivalents	\$ 10,308,058	\$ 20,829,802
Investments	331,527,959	304,667,882
Pledges receivable, net	9,379,950	12,308,638
Due from beneficiary agencies, net	3,316,150	3,314,945
Property and equipment, net	4,104,233	4,283,816
Other assets	11,399,403	11,205,719
TOTAL ASSETS	\$ 370,035,753	\$ 356,610,802
LIABILITIES AND NET ASSETS		
LIABILITIES		
Allocations payable:		
The Jewish Federations of North America	\$ 8,000,027	\$ 6,817,598
Targeted grants for Israel	358,922	396,184
Beneficiary agencies	9,254,603	8,974,947
Other	615,232	836,773
TOTAL ALLOCATIONS PAYABLE	18,228,784	17,025,502
Line of credit	3,230,000	4,500,000
Accounts payable and other liabilities	7,522,727	6,011,498
Obligations to affiliated agencies for assets held in trust	36,048,828	35,843,680
Split-interest agreements	2,573,790	2,787,230
TOTAL LIABILITIES	67,604,129	66,167,910
NET ASSETS		
Without donor restrictions	244,814,634	234,883,312
With donor restrictions	57,616,990	55,559,580
TOTAL NET ASSETS	302,431,624	290,442,892
TOTAL LIABILITIES AND NET ASSETS	\$ 370,035,753	\$ 356,610,802

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,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:						
Campaign and other pledges, net	\$ 23,333,811	\$ 535,938	\$ 23,869,749	\$ 22,719,549	\$ 2,656,889	\$ 25,376,438
Less: Grants from Foundation	(4,555,675)	-	(4,555,675)	(3,252,215)	-	(3,252,215)
Net campaign and other pledges	18,778,136	535,938	19,314,074	19,467,334	2,656,889	22,124,223
Non-campaign contributions and bequests	58,986,992	970,774	59,957,766	34,909,157	601,270	35,510,427
Grants from government agencies	530,943	-	530,943	342,513	-	342,513
	78,296,071	1,506,712	79,802,783	54,719,004	3,258,159	57,977,163
Investment income, net	13,484,821	2,644,735	16,129,556	13,855,761	3,394,995	17,250,756
Rental income (includes \$435,600 of in-kind rent for 2019 and 2018)	472,503	-	472,503	472,113	-	472,113
Program fees and other income	2,616,269	-	2,616,269	2,297,335	-	2,297,335
Net assets released from restrictions	2,094,037	(2,094,037)	-	4,528,646	(4,528,646)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	96,963,701	2,057,410	99,021,111	75,872,859	2,124,508	77,997,367
EXPENSES:						
Program services:						
Federation Community Programs	\$ 76,019,595	\$ -	\$ 76,019,595	\$ 40,196,991	\$ -	\$ 40,196,991
Jewish Community Relations Council	269,703	-	269,703	250,481	-	250,481
Center for the Advancement of Jewish Education	3,513,917	-	3,513,917	3,089,063	-	3,089,063
Holocaust Memorial Committee	814,994	-	814,994	694,635	-	694,635
Total program services and allocations	80,618,209	-	80,618,209	44,231,170	-	44,231,170
Supporting services:						
Fundraising	3,756,145	-	3,756,145	3,752,177	-	3,752,177
Management and general	2,658,025	-	2,658,025	2,664,489	-	2,664,489
Total supporting services	6,414,170	-	6,414,170	6,416,666	-	6,416,666
TOTAL EXPENSES	87,032,379	-	87,032,379	50,647,836	-	50,647,836
CHANGE IN NET ASSETS	9,931,322	2,057,410	11,988,732	25,225,023	2,124,508	27,349,531
NET ASSETS AT BEGINNING OF YEAR	234,883,312	55,559,580	290,442,892	209,658,289	53,435,072	263,093,361
NET ASSETS AT END OF YEAR	\$ 244,814,634	\$ 57,616,990	\$ 302,431,624	\$ 234,883,312	\$ 55,559,580	\$ 290,442,892

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, 2019**

	Program Services					Supporting Services			Total
	Federation Community Programs	Jewish Community Relations Council	Center for the Advancement of Jewish Education	Holocaust Memorial Committee	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Grants and allocations:									
The Jewish Federations of North America	\$ 6,973,992	\$ -	\$ -	\$ -	\$ 6,973,992	\$ -	\$ -	\$ -	\$ 6,973,992
Agencies	9,060,717	-	-	-	9,060,717	-	-	-	9,060,717
Grants and designated purposes	55,574,063	-	-	-	55,574,063	-	-	-	55,574,063
Total grants and allocations	71,608,772	-	-	-	71,608,772	-	-	-	71,608,772
Salaries	2,506,916	192,057	1,398,487	356,524	4,453,984	1,963,090	1,505,128	3,468,218	7,922,202
Employee benefits	556,583	41,112	224,211	63,214	885,120	521,293	372,255	893,548	1,778,668
Total salaries and related expenses	3,063,499	233,169	1,622,698	419,738	5,339,104	2,484,383	1,877,383	4,361,766	9,700,870
Audit and tax	-	-	5,000	-	5,000	-	66,900	66,900	71,900
Donor relations	29,335	-	-	-	29,335	27,378	6,696	34,074	63,409
Conferences	37,297	5,122	60,311	4,116	106,846	33,252	12,293	45,545	152,391
Management information systems	373	-	26,594	5,755	32,722	165,423	70,743	236,166	268,888
Insurance	39,843	-	14,217	33,721	87,781	62,610	11,384	73,994	161,775
Campaign and community outreach	260,547	12,966	601,993	214,502	1,090,008	195,146	63,054	258,200	1,348,208
Building services	422,012	-	-	68,049	490,061	208,792	81,047	289,839	779,900
Office services and supplies	68,500	2,979	14,975	8,384	94,838	74,113	63,348	137,461	232,299
Legal services	7,008	-	11,800	-	18,808	11,013	8,488	19,501	38,309
Postage and direct marketing	38,065	17	10,226	234	48,542	47,329	49,925	97,254	145,796
Public relations and education	52,302	-	31,372	18,823	102,497	208,609	63,869	272,478	374,975
Missions	27,423	-	-	-	27,423	38,715	14,518	53,233	80,656
Subscriptions and dues	144,536	11,081	7,561	417	163,595	9,055	4,193	13,248	176,843
Telephone	23,851	2,001	15,739	5,737	47,328	15,337	48,543	63,880	111,208
Transportation and travel	44,488	-	1,003,792	17,295	1,065,575	19,613	4,796	24,409	1,089,984
Interest expense	-	-	-	-	-	-	159,210	159,210	159,210
Miscellaneous	25,573	2,368	83,716	1,181	112,838	2,934	8,119	11,053	123,891
Total before depreciation and amortization	75,893,424	269,703	3,509,994	797,952	80,471,073	3,603,702	2,614,509	6,218,211	86,689,284
Depreciation and amortization	126,171	-	3,923	17,042	147,136	152,443	43,516	195,959	343,095
Total functional expenses	\$ 76,019,595	\$ 269,703	\$ 3,513,917	\$ 814,994	\$ 80,618,209	\$ 3,756,145	\$ 2,658,025	\$ 6,414,170	\$ 87,032,379

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**

	Program Services				Supporting Services				Total
	Federation Community Programs	Jewish Community Relations Council	Center for the Advancement of Jewish Education	Holocaust Memorial Committee	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Grants and allocations:									
The Jewish Federations of North America	\$ 7,176,519	\$ -	\$ -	\$ -	\$ 7,176,519	\$ -	\$ -	\$ -	\$ 7,176,519
Agencies	8,673,926	-	-	-	8,673,926	-	-	-	8,673,926
Grants and designated purposes	19,849,500	-	-	-	19,849,500	-	-	-	19,849,500
Total grants and allocations	35,699,945	-	-	-	35,699,945	-	-	-	35,699,945
Salaries	2,661,503	172,134	1,282,549	333,593	4,449,779	1,958,492	1,577,041	3,535,533	7,985,312
Employee benefits	586,024	42,510	325,717	69,749	1,024,000	557,284	341,490	898,774	1,922,774
Total salaries and related expenses	3,247,527	214,644	1,608,266	403,342	5,473,779	2,515,776	1,918,531	4,434,307	9,908,086
Audit and tax	-	-	-	-	-	-	66,868	66,868	66,868
Donor relations	24,582	-	-	-	24,582	13,833	2,933	16,766	41,348
Conferences	38,288	6,598	57,897	9,270	112,053	33,060	17,484	50,544	162,597
Management information systems	1,180	-	25,220	6,587	32,987	176,963	75,359	252,322	285,309
Insurance	33,258	-	25,973	34,306	93,537	52,263	9,502	61,765	155,302
Campaign and community outreach	220,931	9,596	470,099	96,926	797,552	183,420	55,572	238,992	1,036,544
Building services	344,505	-	-	51,293	395,798	171,813	66,694	238,507	634,305
Office services and supplies	70,877	4,413	13,042	7,291	95,623	83,301	63,699	147,000	242,623
Legal services	3,991	-	11,800	-	15,791	6,272	1,140	7,412	23,203
Postage and direct marketing	29,775	74	8,362	493	38,704	35,000	39,244	74,244	112,948
Public relations and education	49,333	-	20,528	43,623	113,484	204,975	63,069	268,044	381,528
Missions	109,078	-	-	-	109,078	153,993	57,747	211,740	320,818
Subscriptions and dues	144,926	11,572	12,914	594	170,006	7,296	15,983	23,279	193,285
Telephone	27,511	1,816	14,737	5,560	49,624	13,928	62,604	76,532	126,156
Transportation and travel	51,987	-	748,712	9,227	809,926	17,958	4,552	22,510	832,436
Interest expense	-	-	-	-	-	-	102,374	102,374	102,374
Miscellaneous	20,653	1,768	64,448	1,364	88,233	1,210	9,527	10,737	98,970
Total before depreciation and amortization	40,118,347	250,481	3,081,998	669,876	44,120,702	3,671,061	2,632,882	6,303,943	50,424,645
Depreciation and amortization	78,644	-	7,065	24,759	110,468	81,116	31,607	112,723	223,191
Total functional expenses	\$ 40,196,991	\$ 250,481	\$ 3,089,063	\$ 694,635	\$ 44,231,170	\$ 3,752,177	\$ 2,664,489	\$ 6,416,666	\$ 50,647,836

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,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 11,988,732	\$ 27,349,531
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	343,095	223,191
Net realized gains on investments	(331,066)	(10,642,988)
Net unrealized gains on investments	(13,780,580)	(4,920,984)
(Recovery of) provision for estimated uncollectible pledges, net	(622,023)	1,263,336
Change in split-interest agreements	176,689	196,926
Excess of assets acquired over liabilities assumed in transfer of assets of agency	-	(516,528)
(Increase) decrease in:		
Pledges receivable, net	3,550,711	(3,807,411)
Due from beneficiary agencies, net	(1,205)	(193,095)
Other assets	(335,360)	614,059
Increase (decrease) in operating liabilities:		
Allocations payable – The Jewish Federations of North America	1,182,429	(229,102)
Allocations payable – Targeted grants for Israel	(37,262)	(24,859)
Allocations payable – Beneficiary agencies	279,656	(229,415)
Allocations payable – Other	(221,541)	98,400
Accounts payable and other liabilities	1,511,229	(391,856)
TOTAL ADJUSTMENTS	<u>(8,285,228)</u>	<u>(18,560,326)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,703,504</u>	<u>8,789,205</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(21,836)	(126,130)
Cash and receivables transferred in from transfer of assets of agency	-	516,528
Purchases of investments	(77,954,460)	(32,567,604)
Sales of investments	65,206,029	11,635,331
NET CASH USED IN INVESTING ACTIVITIES	<u>(12,770,267)</u>	<u>(20,541,875)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Obligations to affiliated agencies for assets held in trust	205,148	3,456,885
Payments on split-interest agreements	(390,129)	(324,853)
Borrowings under line of credit	2,000,000	4,800,000
Repayments on line of credit	(3,270,000)	(3,800,000)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(1,454,981)</u>	<u>4,132,032</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,521,744)	(7,620,638)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,829,802	28,450,440
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,308,058</u>	<u>\$ 20,829,802</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 159,210</u>	<u>\$ 102,374</u>

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, 2019 AND 2018

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Greater Miami Jewish Federation, Inc. is a nonprofit organization whose mission is to mobilize human and financial resources to care for those in need, strengthen Jewish life and advance unity, values and shared purpose of the Jewish people in Miami, in Israel and around the world and funds a safety net of more than 160 vital programs, services and agencies.

Basis of Consolidation

The consolidated financial statements include the accounts of Greater Miami Jewish Federation, Inc., Center for the Advancement of Jewish Education, Inc. ("CAJE"), Holocaust Memorial Committee, Inc. ("HMC"), Hebrew Free Loan Association of South Florida, Inc. ("HFLA"), and twenty supporting organizations (collectively referred to as the "Federation"). Significant transactions between the entities, including all intercompany balances, have been eliminated.

Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions also include board designated funds. Gifts to donor advised funds are classified as support without restrictions.

Net assets with donor restrictions: Net assets that are subject to explicit donor-imposed restrictions such as time and/or purpose restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Federation or by the passage of time. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently while permitting the Federation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or the Board approved spending policy. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

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 bad debt expense. 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.

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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

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 net assets without donor restrictions 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 and those differences could be material. 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 \$5,000. 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.

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 gains (losses) of \$60,000 and (\$98,000) during the years ended June 30, 2019 and 2018, 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 \$3,777,000 and \$4,078,000, and amounts included in other assets amount to approximately \$1,824,000 and \$1,722,000 at June 30, 2019 and 2018, respectively. The liabilities of the split-interest agreements, included in the consolidated statements of financial position, total \$2,573,790 and \$2,787,230 at June 30, 2019 and 2018, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as net assets without donor restrictions. Conditional promises to give are not included as support until such time as the conditions are substantially met.

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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

Contributions (Continued)

The Federation has been allocated \$1,115,871 and \$1,394,845 from the United Way on behalf of affiliated agencies for the years ended June 30, 2019 and 2018, 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 for the years ended June 30, 2019 and 2018.

Significant Donors

During the year ended June 30, 2019, one donor made substantial gifts, which are included in the caption "non-campaign contributions and bequests" in the consolidated statements of activities totaling approximately \$28,579,000. 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. The gifts accounted for approximately 29% and 20% of total revenues, gains and other support for the years ended June 30, 2019 and 2018, 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, 2019 and 2018; 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, 2019 and 2018. 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.

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 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 and those differences could be material. Material estimates that are particularly susceptible to change include the fair value of investments, the allowance for uncollectible pledges, the functional allocation of expenses, and obligations for allocations payable.

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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

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, 2019 and 2018, the Federation generated net unrelated business income from certain alternative investments. No provisions for Federal or State income taxes were recorded as management believes 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 2016.

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 supporting services benefited. Expenses that can be directly identified with the program or supporting service are reported as expenses of those functional areas. Personnel and all other expenses are allocated among program and supporting services based on estimated time and effort.

Adopted Accounting Pronouncement

Presentation of Financial Statements of Not-for-Profit Entities

During the year ended June 30, 2019, the Federation adopted Accounting Standards Update 2016-14, *Not for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method. The Federation has applied the update retrospectively to all periods presented and adjusted the presentation of these consolidated financial statements accordingly. As a result, the Federation has reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions, as well as, temporarily restricted and permanently restricted net assets to net assets with donor restrictions. The adoption of this update has no other material effect on the Federation’s consolidated financial position and changes in net assets. In addition, the Federation has elected to continue to present the consolidated statements of cash flows using the indirect method and continues to include separate consolidated statements of functional expenses in its consolidated financial statements.

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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

Recent Accounting Pronouncements

Revenue from Contracts With Customers

In May 2014, the Financial Accounting Standards Board ("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, lessor accounting, and disclosures related to accounting changes and error corrections. The Federation is currently evaluating the effect the update will have on its consolidated financial statements.

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 originally 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. The effective dates have tentatively been extended to fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021.

Restricted Cash

In November 2016, the FASB issued an accounting standard update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. The update is effective retrospectively 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.

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.

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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

Recent Accounting Pronouncements (Continued)

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.

Fair Value Measurement

In August 2018, the FASB issued an accounting standard update that removes certain disclosures related to transfers between hierarchy levels and adds certain disclosures related to level 3 investments. The update also changes certain disclosure requirements. The update is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early application is permitted. The Federation is currently evaluating the potential accounting and disclosure effects the update will have on its consolidated financial statements.

Subsequent Events

The Federation has evaluated subsequent events through December 2, 2019, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2018 consolidated financial statements.

2. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Federation maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. The Federation considers all expenditures related to its ongoing activities to accomplish its mission as well as the conduct of services undertaken to support those activities to be general expenditures. Board designated reserves can be released upon resolution of the board and used for general expenditures. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Federation holds cash in various interest-bearing bank accounts with well-known financial institutions. In addition, the Federation has a \$8,000,000 line of credit available to meet cash flow needs.

Included in the Federation's total financial assets as of June 30, 2019 are donor advised and supporting organization funds amounting to approximately \$183,862,000. The Federation serves as the sponsoring organization, in accordance with IRS regulations, to separately-identified donor advised fund accounts comprised of contributions made by donors and related earnings from investments. Once donors make contributions, the Federation has exclusive legal control over the funds. The donor, or the donor's named representatives, retains advisory privileges with respect to the distribution of funds and, in a limited manner, the investment of assets in the account. The Federation typically honors donors' grant recommendations for grants to 501(c)(3) public charities, in good standing with the IRS, for charitable purposes that are not in conflict with the Federation's mission, subject to the Federation's review and approval, and considers these assets to be available for general expenditures.

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES (CONTINUED)

The Federation's financial assets available within one year of the consolidated statements of financial position date for general expenditures as of June 30, 2019 are as follows:

Cash and cash equivalents	\$ 10,308,058
Investments	331,527,959
Pledges receivable, net	9,379,950
Due from beneficiary agencies, net	3,316,150
Cash surrender value of life insurance policies (NOTE 8)	5,622,068
Other receivables (NOTE 8)	1,744,644
Due from estates (NOTE 8)	1,268,439
Total financial assets	363,167,268
Less amounts not available to be used within one year or without board approval:	
Obligations to affiliated agencies for assets held in trust	36,048,828
Time restrictions greater than one year	5,622,068
Endowed in perpetuity	15,325,630
Board designated endowment	4,371,522
All other illiquid investments	24,023,689
Split-interest agreements	3,776,677
Long-term portion of due from beneficiary agencies, net	1,299,599
Total financial assets not available to be used for general expenditures within one year or without board approval	90,468,013
 Total financial assets available to management for general expenditures within one year	 \$ 272,699,255

3. INVESTMENTS

Investments include the following at June 30,:

	2019		
	Investments Measured at Fair Value	Investments Measured at NAV	Total
Mutual funds	\$ 146,463,402	\$ -	\$ 146,463,402
Equity securities	38,295,717	-	38,295,717
Commodities funds	772,171	-	772,171
State of Israel bonds	15,099,177	-	15,099,177
Corporate debt securities	1,513,259	-	1,513,259
Government securities	6,008	-	6,008
Alternative strategies	-	129,378,225	129,378,225
	\$ 202,149,734	\$ 129,378,225	\$ 331,527,959

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

3. INVESTMENTS (CONTINUED)

	2018		
	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	-	127,092,781	127,092,781
	\$ 177,575,101	\$ 127,092,781	\$ 304,667,882

4. FAIR VALUE MEASUREMENTS

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, 2019 and 2018.

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 *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).

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

4. FAIR VALUE MEASUREMENTS (CONTINUED)

The *Corporate Debt and Government Securities* portfolios consist of investments in securities issued by corporations and the U.S. government. These investments are valued at the closing price reported in the active market in which the individual securities are traded.

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, 2019 and 2018, the Federation had no plans or intentions to sell investments at amounts different from NAV.

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 tables represent 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 6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
Recurring basis:					
Mutual funds	\$ 146,463,402	\$ 146,463,402	\$ -	\$ -	\$ -
Equity securities	38,295,717	38,295,717	-	-	-
Commodities funds	772,171	772,171	-	-	-
State of Israel bonds	15,099,177	-	15,099,177	-	-
Corporate debt securities	1,513,259	1,513,259	-	-	-
Government securities	6,008	-	6,008	-	-
Alternative strategies	129,378,225	-	-	-	129,378,225
Total investments	\$ 331,527,959	\$ 187,044,549	\$ 15,105,185	\$ -	\$ 129,378,225

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)	Investments Measured at NAV
Recurring basis:					
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	127,092,781	-	-	-	127,092,781
Total investments	\$ 304,667,882	\$ 163,478,698	\$ 14,096,403	\$ -	\$ 127,092,781

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. FAIR VALUE MEASUREMENTS (CONTINUED)

Investments measured at net asset value:

	Net Asset Value as of June 30, 2019	Net Asset Value as of June 30, 2018	Unfunded Commitments as of June 30, 2019	Redemption Frequency	Redemption Notice Period
Hedge Funds:					
Credit/Distressed (a)	\$ 20,620,318	\$ 19,661,647	\$ -	Ranges between monthly redemption to a redemption with a 3-year lock up period.	Lock-up provisions range from 30 to 65 days notice.
Event Driven (b)	4,716,825	4,545,985	-		
Hedged Equity/ Long Short (c)	55,735,464	52,854,233	-		
Global Macro (d)	15,524,721	16,647,199	-		
Private Equity/Venture Capital					
Buyout (e)	15,889,460	13,207,613	11,820,714	Closed end investment funds not eligible for redemption.	Not redeemable
Private Debt (e)	7,677,422	3,883,831	760,097		
Venture Capital (e)	3,466,866	1,934,497	93,360		
Private Real Assets (f)	5,747,149	14,357,776	2,226,867	Closed end investment funds not eligible for redemption.	Not redeemable
TOTAL	\$ 129,378,225	\$ 127,092,781	\$ 14,901,038		

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, 2019 and 2018, 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.

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. FAIR VALUE MEASUREMENTS (CONTINUED)

- (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.

At June 30, 2019 and 2018, the Federation investment in Israel Bonds totaled approximately \$15,099,000 and \$14,090,000, 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.

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, 2019 and 2018, total investments of \$36,048,828 and \$35,843,680, respectively, are held in trust for affiliated agencies and are reflected in the consolidated statements of financial position.

Investment return, net of expenses, consists of the following for the years ended June 30, 2019 and 2018:

	2019		
	Without donor restrictions	With donor restrictions	Total
Dividends and interest	\$ 1,444,940	\$ 572,970	\$ 2,017,910
Net realized (losses) gains	(928,282)	1,259,348	331,066
Net unrealized gains	12,968,163	812,417	13,780,580
	\$ 13,484,821	\$ 2,644,735	\$ 16,129,556
	2018		
	Without donor restrictions	With donor restrictions	Total
Dividends and interest	\$ 1,236,118	\$ 450,666	\$ 1,686,784
Net realized gains	10,059,224	583,764	10,642,988
Net unrealized gains	2,560,419	2,360,565	4,920,984
	\$ 13,855,761	\$ 3,394,995	\$ 17,250,756

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

5. PLEDGES RECEIVABLE, NET

The pledges receivable are due as follows at June 30,:

	<u>2019</u>	<u>2018</u>
Amounts due in less than one year	\$ 10,337,545	\$ 14,012,529
Amount due in one to five years	<u>2,160,512</u>	<u>3,270,985</u>
Gross pledges receivable	12,498,057	17,283,514
Less: Allowance for uncollectible pledges	(3,063,502)	(4,882,254)
Unamortized discount	<u>(54,605)</u>	<u>(92,622)</u>
Pledges receivable, net	<u>\$ 9,379,950</u>	<u>\$ 12,308,638</u>

Included in net campaign and other current pledges revenue of \$19,314,074 is \$1,244,978 related to Supplemental Campaign Income for the year ended June 30, 2019. 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. Bad debt recoveries (expense) on pledges totaled \$622,023 and (\$1,263,336) for the years ended June 30, 2019 and 2018, respectively.

Pledges receivable with payment terms in excess of one year have been discounted using an average market rate of interest (approximately 1.79% and 2.55% as of June 30, 2019 and 2018, respectively) to reflect their estimated present value.

6. DUE FROM BENEFICIARY AGENCIES, NET

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

	<u>2019</u>	<u>2018</u>
Due from beneficiary agencies	\$ 3,455,719	\$ 3,482,096
Less: Unamortized discount and allowance for uncollectible accounts	<u>(139,569)</u>	<u>(167,151)</u>
Due from beneficiary agencies, net	<u>\$ 3,316,150</u>	<u>\$ 3,314,945</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, 2019 and 2018, a receivable from Jewish Community Services of South Florida, Inc. and Affiliate in the amount of \$990,000 and \$1,072,500, respectively, has been discounted over the remaining period, using the U.S. Treasury risk free rate of return of approximately 3%.

The following represents the gross estimated collections from beneficiary agencies to be received by the Federation as of June 30, 2019:

2020	\$ 2,156,120
2021	213,194
2022	209,808
2023	206,422
2024	92,675
Thereafter	<u>577,500</u>
	<u>\$ 3,455,719</u>

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

7. PROPERTY AND EQUIPMENT, NET

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

	<u>2019</u>	<u>2018</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	3,164,075	10 to 36 years
Office furniture, equipment and software	3,677,183	3,655,347	3 to 9 years
	<u>11,723,573</u>	<u>11,701,737</u>	
Less: accumulated depreciation	<u>(7,619,340)</u>	<u>(7,417,921)</u>	
Property and equipment, net	<u>\$ 4,104,233</u>	<u>\$ 4,283,816</u>	

Depreciation expense for the years ended June 30, 2019 and 2018 was \$201,419 and \$223,191, respectively.

8. OTHER ASSETS

Other assets consisted of the following at June 30,:

	<u>2019</u>	<u>2018</u>
Cash surrender value of life insurance policies	\$ 2,693,002	\$ 2,467,030
Other receivables	1,744,644	1,783,234
Due from estates	1,268,439	1,116,787
Due from JAFI	1,371,060	1,478,085
Mortgage receivable – employee	161,396	220,926
Prepaid expenses	400,415	304,425
Other assets	1,936,307	2,112,737
Due from charitable trusts (Federation not trustee)	1,824,140	1,722,495
	<u>\$ 11,399,403</u>	<u>\$ 11,205,719</u>

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	<u>2019</u>	<u>2018</u>
Accounts payable	\$ 2,516,386	\$ 3,747,334
Deferred liabilities, refundable advances, and deferred compensation	<u>5,006,341</u>	<u>2,264,164</u>
	<u>\$ 7,522,727</u>	<u>\$ 6,011,498</u>

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

10. SUMMARY OF ALLOCATIONS AND GRANTS FOR DESIGNATED PURPOSES

Allocations and grants of net assets without donor restrictions categorized by type of program are as follows for the years ended June 30,:

	<u>2019</u>	<u>2018</u>
The Jewish Federations of North America	\$ 6,973,992	\$ 7,176,519
Annual Campaign Education and culture	3,252,305	3,184,464
Services to the aged	792,757	609,043
Youth services and recreation	2,598,195	2,589,695
Counseling services	698,223	698,223
Health services	247,554	234,317
Other community programming	475,916	529,807
Target grants for Israel and overseas	<u>995,767</u>	<u>828,377</u>
Total allocations to agencies	9,060,717	8,673,926
Donor Advised and Other Designated Funds Federation and beneficiary agencies	7,368,853	3,976,323
Jewish charitable purposes	19,902,711	4,842,044
Organizations serving Florida	23,272,167	6,686,273
Organizations outside Florida	3,675,811	3,338,931
Other	<u>85,449</u>	<u>78,017</u>
	54,304,991	18,921,588
<u>Supporting Foundations:</u>		
Federation and beneficiary agencies	685,450	367,426
Jewish Charitable purposes	382,840	256,787
Organizations serving Florida	65,450	167,916
Organizations outside Florida	<u>135,332</u>	<u>135,783</u>
	1,269,072	927,912
Total allocations for grants and designated purposes	<u>55,574,063</u>	<u>19,849,500</u>
Total allocations	<u>\$ 71,608,772</u>	<u>\$ 35,699,945</u>

11. ENDOWMENTS

The Federation's endowments consist of individual funds established for a variety of purposes. Its endowments are comprised of funds with no donor restriction, 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 net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by the FUPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

11. ENDOWMENTS (CONTINUED)

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 purpose 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, 2019 and 2018, the Federation has elected not to add appreciation for cost of living or spending to its endowment funds with donor restrictions.

A summary of endowment assets at June 30, 2019 is as follows:

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment funds	\$ -	\$ 51,489,493	\$ 51,489,493
Board designated endowment funds	4,371,522	-	4,371,522
Total endowment net assets	\$ 4,371,522	\$ 51,489,493	\$ 55,861,015

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

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment funds	\$ -	\$ 50,080,435	\$ 50,080,435
Board designated endowment funds	4,330,347	-	4,330,347
Total endowment net assets	\$ 4,330,347	\$ 50,080,435	\$ 54,410,782

The change in endowment assets for the year ended June 30, 2019 is as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 4,330,347	\$ 50,080,435	\$ 54,410,782
Investment change	203,066	2,560,465	2,763,531
Contributions	32,339	405,038	437,377
Amounts appropriated for expenditure	(194,230)	(1,556,445)	(1,750,675)
Endowment net assets, end of year	\$ 4,371,522	\$ 51,489,493	\$ 55,861,015

The change in endowment assets for the year ended June 30, 2018 is as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 4,259,525	\$ 50,530,603	\$ 54,790,128
Investment change	322,571	3,378,986	3,701,557
Contributions	-	699,492	699,492
Amounts appropriated for expenditure	(251,749)	(4,528,646)	(4,780,395)
Endowment net assets, end of year	\$ 4,330,347	\$ 50,080,435	\$ 54,410,782

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

11. ENDOWMENTS (CONTINUED)

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, 2019 and 2018, the fair market value of these donor restricted endowment funds was approximately \$15,326,000 and \$15,120,000, respectively. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restriction and amounted to approximately \$1,281,000 and \$1,522,000 as of June 30, 2019 and 2018, 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%.

12. 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, 2019 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	January 20, 2020
Michael-Ann Russell JCC	7,450,000	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	9,100,000	Tax exempt bonds	July 1, 2041	July 1, 2022
University of Miami Hillel	3,500,000	Line of credit	June 30, 2022	N/A
	\$ 39,745,000			

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.

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Guarantees of Indebtedness (Continued)

Where indicated, the tax-exempt bonds are credit enhanced for each agency 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

The Federation administers Michael-Ann Russell JCC's ("MARJCC") endowment funds totaling approximately \$2,297,000, which are reflected in the consolidated statements of financial position at June 30, 2019. Additionally, MARJCC has pledged of approximately \$3,708,000 and will continue fundraising to retire the debt when it becomes due. MARJCC has and is expected to continue to meet its interest obligations in the near future.

Dave and Mary Alper JCC

Regarding Dave and Mary Alper JCC ("Alper"), the Federation administers endowment funds totaling approximately \$753,000, which are reflected in the consolidated statements of financial position at June 30, 2019. Alper continues to pursue capital contributions to pay off the tax-exempt bonds when they become due. Alper has and is expected to continue to meet its interest obligations in the near future.

Gainesville Hillel, Inc.

Regarding Gainesville Hillel, Inc. ("Hillel"), the Federation administers endowment funds totaling approximately \$1,730,000, which are reflected in the consolidated statements of financial position at June 30, 2019. Additionally, Hillel continues to pursue capital contributions to pay off the tax-exempt bonds as and when they become due. Hillel has and is expected to continue to meet its interest obligations in the near future.

Miami Beach Jewish Community Center, Inc.

Regarding Miami Beach Jewish Community Center, Inc. ("MBJCC"), the Federation administers endowment funds totaling approximately \$4,228,000, which are reflected in the consolidated statements of financial position at June 30, 2019. Additionally, MBJCC has pledged of approximately \$2,234,000 and will continue fundraising in order to retire the debt when it becomes due. MBJCC has annual debt amortization of \$260,000. MBJCC has and is expected to continue to meet its interest and principal obligations in the near future.

University of Miami Hillel

The University of Miami Hillel had an outstanding balance of \$150,000 on its line of credit as of June 30, 2019. The line of credit was paid in full in August 2019.

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.

13. LINE OF CREDIT

The Federation has a line of credit with a financial institution to borrow up to \$8,000,000 in order to provide liquidity for working capital needs. The line matures on April 30, 2020. The outstanding balance is \$3,230,000 and \$4,500,000 at June 30, 2019 and 2018, respectively. The line of credit bears interest at the 30-day LIBOR rate plus 100 basis points. The interest rate was 3.44% and 2.98% as of June 30, 2019 and 2018, respectively. The agreement requires certain liquidity ratios be maintained, which the Federation was in compliance with at June 30, 2019 and 2018.

GREATER MIAMI JEWISH FEDERATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30,:

	<u>2019</u>	<u>2018</u>
Time restricted	\$ 5,622,068	\$ 5,479,147
Agency programs	236,607	343,071
Annual campaign	5,422,392	5,404,855
Community programs	14,658,155	13,973,696
Education programs	848,835	841,068
Support for the elderly	6,835,453	6,648,044
Holocaust survivors support	122,855	126,790
Israel programs	14,714,576	14,178,065
Leadership programs	712,178	198,007
Medical assistance programs	632,813	630,818
Support for the needy	3,179,168	3,039,413
Scholarships	4,631,890	4,696,606
	<u>\$ 57,616,990</u>	<u>\$ 55,559,580</u>

Included within net assets with donor restrictions are funds held in perpetuity of \$15,325,630 and \$15,120,499 as of June 30, 2019 and 2018, respectively.

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. Due to the restricted and conditional nature of the ninety-nine year leases, the donated use of the properties are evaluated on an annual basis by the Federation to determine if Alper and MARJCC have met the conditions stipulated in the lease agreements.

16. SUBSEQUENT EVENT

The Federation is a Project sponsor of three affordable housing entities: Jewish Federation Housing, Inc., Jewish Federation Housing II, Inc., and Jewish Federation Housing III, Inc., (collectively referred to as the "Projects"). On November 14, 2019, the Projects completed the sale of their land, buildings and related fixed assets to a third party (the "Buyer"). The Buyer is required to continue to operate the Projects as affordable housing facilities for low-income elderly for at least 40 years.

Prior to the sale closing, the Federation received a deposit of \$3,000,000, which is included within accounts payable and other liabilities on the accompanying consolidated statements of financial position as of June 30, 2019. The Federation received net proceeds of \$52,538,382 upon closing on November 14, 2019. Additionally, the Federation is expecting approximately \$790,000 related to reserves and deposits. The Projects will be fully dissolved as legal entities upon submission of all the required filings, at which time any remaining cash will be transferred to the Federation.