Jewish Federation of Greater St. Paul

Financial Statements

April 30, 2018 and 2017

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Jewish Federation of Greater St. Paul
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Independent Auditors' Report

Board of Directors
Jewish Federation of Greater St. Paul
St. Paul, Minnesota

We have audited the accompanying financial statements of Jewish Federation of Greater St. Paul, which comprise the statement of financial position as of April 30, 2018, and the related statement of activities, functional expenses, and cash flows for the year then ended and the related notes to financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of Jewish Federation of Greater St. Paul, as of April 30, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of Jewish Federation of Greater St. Paul for the year ended April 30, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on February 27, 2018.

BerganKDV, Ltd.

St. Cloud, Minnesota
February 27, 2019

Jewish Federation of Greater St. Paul
Statements of Financial Position
As of April 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 320,541	$ 85,492
Pledges receivable, less allowance for doubtful accounts	667,597	1,053,473
Prepaid expenses and other current assets	-	164
Beneficial interest in trust	55,638	55,638
Total current assets	1,043,776	1,194,767
Investments		
Assets held in charitable remainder trusts	1,802,120	1,868,384
Assets held for others	724,635	2,563,214
Other investments	13,785,541	13,411,989
Total investments	16,312,296	17,843,587
Property and equipment, at cost		
Furniture and equipment	51,008	91,443
Leasehold improvements	57,489	57,489
Total property and equipment, at cost	108,497	148,932
Less accumulated depreciation	108,497	148,932
Net property and equipment	-	-
Total assets	$ 17,356,072	$ 19,038,354
Liabilties and Net Assets		
Current liabilities		
Accounts payable	$ 42,198	$ -
Payable to JFNA	149,451	2,751,502
Passport to Israel	196,194	199,382
Fiscal agency liability	724,635	2,563,214
Deferred revenue	70,417	-
Other current liabilities	75,461	61,680
Total current liabilities	1,258,356	5,575,778
Long term liabilities		
Charitable remainder trust liability	772,096	837,176
Total liabilities	2,030,452	6,412,954
Net assets		
Unrestricted	6,462,439	3,762,998
Temporarily restricted	2,211,144	2,262,438
Permanently restricted	6,652,037	6,599,964
Total net assets	15,325,620	12,625,400
Total liabilities and net assets	$ 17,356,072	$ 19,038,354

See notes to financial statements.

Jewish Federation of Greater Saint Paul
Statements of Activities
Years Ended April 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Contributions	$ 1,725,283	$ 547,790	$ 52,073	$ 2,325,146	$ 2,301,926	$ 843,193	$ 1,305,000	$ 4,450,119
Events and sponsorships	35,023	-	-	35,023	13,722	-	-	13,722
Program income	211,038	-	-	211,038	419,863	-	-	419,863
Investment income	1,049,531	135,951	-	1,185,482	335,585	745,383	-	1,080,968
Change in value of CRT	-	(27,375)	-	(27,375)	-	(38,743)	-	(38,743)
JFNA payable forgiveness	2,667,358	-	-	2,667,358	-	-	-	-
	5,688,233	656,366	52,073	6,396,672	3,071,096	1,549,833	1,305,000	5,925,929
Net assets released from restrictions	707,660	(707,660)	-	-	563,908	(563,908)	-	-
Total support and revenue	$ 6,395,893	$ (51,294)	$ 52,073	$ 6,396,672	$ 3,635,004	$ 985,925	$ 1,305,000	$ 5,925,929
Expenses								
Program services								
Community service	$ 2,646,011	$ -	$ -	$ 2,646,011	$ 3,130,816	$ -	$ -	$ 3,130,816
Leadership development	135,981	-	-	135,981	161,819	-	-	161,819
Total program services	2,781,992	-	-	2,781,992	3,292,635	-	-	3,292,635
Support Services								
Management and general	584,813	-	-	584,813	772,531	-	-	772,531
Campaign and fundraising	329,647	-	-	329,647	318,872	-	-	318,872
Total support services	914,460	-	-	914,460	1,091,403	-	-	1,091,403
Total expenses	$ 3,696,452	$ -	$ -	$ 3,696,452	$ 4,384,038	$ -	$ -	$ 4,384,038
Change in net assets	$ 2,699,441	$ (51,294)	$ 52,073	$ 2,700,220	$ (749,034)	$ 985,925	$ 1,305,000	$ 1,541,891
Net assets-beginning of the year	3,762,998	2,262,438	6,599,964	12,625,400	4,512,032	1,276,513	5,294,964	11,083,509
Net assets-end of the year	$ 6,462,439	$ 2,211,144	$ 6,652,037	$ 15,325,620	$ 3,762,998	$ 2,262,438	$ 6,599,964	$ 12,625,400

See notes to financial statements.

Jewish Federation of Greater St. Paul
Statement of Functional Expenses
Year Ended April 30, 2018

	Program Services			Support Services			
	Community Service	Leadership Development	Total Program Services	Management and General	Campaign and Fundraising	Total Support Services	Total
Allocations to Beneficiaries							
Local	$ 1,619,126	$ 50,000	$ 1,669,126	$ -	$ -	-	$ 1,669,126
National	335,225	-	335,225	-	-	-	335,225
Total allocation to beneficiaries	1,954,351	50,000	2,004,351	-	-	-	2,004,351
Other Functional Expenses							
Salaries and benefits	293,732	75,531	369,263	234,985	234,985	469,970	839,233
Professional fees	11,182	-	11,182	8,266	4,676	12,942	24,124
Campaign	-	-	-	-	43,206	43,206	43,206
Computer operations	7,210	-	7,210	2,884	3,015	5,899	13,109
Insurance	5,560	-	5,560	1,632	1,633	3,265	8,825
Printing	578	-	578	231	242	473	1,051
Provision for uncollectible pledges - net	-	-	-	235,247	-	235,247	235,247
Rent-facilities	9,467	6,804	16,271	6,508	6,804	13,312	29,583
Scholarships	275,721	-	275,721	-	-	-	275,721
Brokerage and bank fees	-	-	-	87,232	566	87,798	87,798
Events and meetings	9,283	3,646	12,929	2,997	27,554	30,551	43,480
Special projects (Russian project)	59,834	-	59,834	-	-	-	59,834
Supplies and postage	13,426	-	13,426	2,564	4,596	7,160	20,586
Telephone	5,667	-	5,667	2,267	2,370	4,637	10,304
Total other functional expenses	691,660	85,981	777,641	584,813	329,647	914,460	1,692,101
Total expenses	$ 2,646,011	$ 135,981	$ 2,781,992	$ 584,813	$ 329,647	$ 914,460	$ 3,696,452

See notes to financial statements

Jewish Federation of Greater St. Paul
Statement of Functional Expenses
Year Ended April 30, 2017

	Program Services			Support Services			
	Community Service	Leadership Development	Total Program Services	Management and General	Campaign and Fundraising	Total Support Services	Total
Allocations to Beneficiaries							
Local	$ 1,726,756	$ 74,500	$ 1,801,256	$ -	$ -	$ -	$ 1,801,256
Regional	43,220	-	43,220	-	-	-	43,220
National	657,327	-	657,327	-	-	-	657,327
Total allocation to beneficiaries	2,427,303	74,500	2,501,803	-	-	-	2,501,803
Other Functional Expenses							
Salaries and benefits	298,244	77,652	375,896	237,947	227,265	465,212	841,108
Professional fees	9,919	-	9,919	7,151	4,148	11,299	21,218
Campaign	-	-	-	-	23,866	23,866	23,866
Computer operations	3,399	-	3,399	1,360	1,421	2,781	6,180
Insurance	6,218	-	6,218	1,830	1,821	3,651	9,869
Printing	4,831	-	4,831	1,934	2,020	3,954	8,785
Provision for uncollectible pledges - net	-	-	-	425,084	-	425,084	425,084
Rent-facilities	8,996	6,500	15,496	6,199	6,480	12,679	28,175
Scholarships	315,915	-	315,915	-	-	-	315,915
Brokerage and bank fees	-	-	-	79,427	493	79,920	79,920
Events and meetings	14,797	3,167	17,964	3,100	44,719	47,819	65,783
Special projects (Russian project)	21,682	-	21,682	-	-	-	21,682
Supplies and postage	14,170	-	14,170	2,670	4,405	7,075	21,245
Telephone	5,342	-	5,342	2,136	2,234	4,370	9,712
Total other functional expenses	703,513	87,319	790,832	768,838	318,872	1,087,710	1,878,542
Depreciation and amortization	-	-	-	3,693	-	3,693	3,693
Total expenses	$ 3,130,816	$ 161,819	$ 3,292,635	$ 772,531	$ 318,872	$ 1,091,403	$ 4,384,038

See notes to financial statements.

Jewish Federation of Greater St. Paul
Statements of Cash Flows
Years Ended April 30, 2018 and 2017

	2018	2017
Cash Flows - Operating Activities		
Change in net assets	$ 2,700,220	$ 1,541,891
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation and amortization	-	3,693
Change in allowance for doubtful pledges receivable	(222,452)	215,248
Realized and unrealized investment (gains) losses	(935,136)	(973,651)
Decrease in value of charitable remainder trust	1,184	(34,225)
Write down of JFNA payable	(2,667,358)	-
Permanently restricted contributions	(52,073)	(1,305,000)
Changes in operating assets and liabilities		
Pledges receivable	608,328	(250,757)
Prepaid expenses and other current assets	164	2,672
Accounts payable	42,198	-
Payable to JFNA	65,307	84,173
Passport to Israel	(3,188)	1,282
Fiscal agency liability	(1,838,579)	2,563,214
Deferred revenue	70,417	-
Other current liabilities	13,781	(14,951)
Net cash flows - operating activities	(2,217,187)	1,833,589
Cash Flows - Investing Activities		
Purchase of investments, including reinvested income	(1,405,889)	(6,042,869)
Proceeds from the sale/maturity of investments	3,806,052	2,895,777
Net cash flows - investing activities	2,400,163	(3,147,092)
Cash Flows - Financing Activities		
Permanently restricted contributions	52,073	1,305,000
Net change in cash and cash equivalents	235,049	(8,503)
Cash and Cash Equivalents		
Beginning of year	85,492	93,995
End of year	$ 320,541	$ 85,492
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ -	$ 1,300

See notes to financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization
Jewish Federation of Greater St. Paul (the Organization) is a nonprofit corporation organized under the laws of the State of Minnesota. The Organization's primary purpose is to solicit and collect contributions from the Jewish Community in the St. Paul area and then distribute those funds to various Jewish organizations. Through scholarships and grants, the Organization distributes the majority of the contributions to beneficiaries which are direct providers of various social, charitable, and educational programs to the Jewish Community locally, nationally, and internationally. In addition, the Organization provides educational and social activities to promote, encourage, and strengthen the Jewish Community.

Basis of Accounting
The financial statements of the Organization have been prepared on the accrual basis of accounting. The accounting policies of the Organization confirm to accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit organizations.

Basis of Presentation
Net assets and revenues, and gains and losses are classified based on donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted
Resources over which the board of directors has discretionary control.

Temporarily Restricted
Resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time. The Organization has elected to present all temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net assets class.

Permanently Restricted
Resources subject to donor-imposed restrictions that the resources are to be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation of related investments for unrestricted or temporarily restricted purposes.

Estimates
The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments

The Organization considers bank certificates of deposit, money market funds and other highly liquid investments with original maturities of three months or less to be cash equivalents. Certificates of deposits and money market funds are carried at deposit value. The Organization may have deposits and money market funds carried at deposit value. From time to time, the Organization may have deposits at one commercial bank in excess of the limits guaranteed by the Federal Deposit Insurance Corporation (FDIC).

Investments in equity securities that have readily determinable fair value and all investments in debt securities are recorded at fair value. The carrying value for certain equity investments without quoted market prices are carried at cost, which is considered the estimated fair value upon the date of donation or the date of purchase. Investments include interests in various non-publicly traded investment funds which are valued by management of the individual funds based on the fair value of the underlying investments of the funds. Life insurance policies are carried at net cash surrender value. The net changes in fair value of investments held and the realized gains and losses on investments sold are reflected in the statements of activities as a component of investment income.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, changes in the values of the investments will occur in the near term and such changes could materially affect the amounts reported.

Pledges Receivable

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges deemed uncollectible by management are included in management's estimate of allowance for doubtful accounts. Conditional pledges are not included as support until such time as the conditions are substantially met.

Beneficial Interest in Trust

A donor has established a trust with a local bank naming the Organization as a beneficiary of an irrevocable charitable remainder trust. Under terms of the split-interest agreement, at the time of the donor's death, the trust is to terminate, and remaining trust assets are to be distributed to the Organization and other beneficiaries. The Organization has a receivable calculated as the fair market value of the Organization's percentage of assets to be received and a temporary restricted contribution.

Property and Equipment

Property and equipment is carried at cost, if purchased, or for donated items, at fair value at the time of donation. The Organization uses a capitalization threshold of $1,000 for recorded property and equipment.

Depreciation and amortization are provided for in amounts sufficient to relate the cost of deprecation and amortizable furniture, equipment, leasehold improvements, and financing fees to operations over their estimated service lives, using the straight-line method.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

The estimated lives used are as follows:

	Years
Furniture and Equipment	3-10
Leasehold Improvements	5-10

Payable to the Jewish Federations of North America (JFNA)

Beneficiary and grants payable that are expected to be fulfilled within one year are recorded at their net realizable value.

Passport to Israel

The passport to Israel program provides money for youth and young adults to travel to Israel. The program is funded by the participants' parents, participants' synagogue, and a partial match from the Organization. If the program's funds are not used, they must be returned to the individuals or organizations that provided the funds.

Fiscal Agency Liability

A liability is recorded for certain assets for which the Organization acts as an agent. The funds received have been invested and included in other investments on the statements of financial position. At April 30, 2018 and 2017, the investments held for fiscal agency transactions were $724,635 and $2,563,214, respectively.

Deferred Revenue

Deferred revenue represents program income that was received prior to year end but not yet earned.

Charitable Remainder Trust

The Organization administers and is a beneficiary of a charitable remainder trust (CRT). The CRT is valued at fair market value of the trust assets with a corresponding liability recorded for their present value of the expected payments due to the donor, with the difference recorded as a contribution. The amount of the trust liability calculated at April 30, 2018 and 2017 was based on an assumed discount rate of 3.4%.

Donated Goods, Use of Facilities and Services

Donated goods and use of facilities are valued at their fair market value. Donated services have not been recognized in these financial statements because they do not meet the standard for recognition under U.S. GAAP; however, a substantial number of volunteers have donated significant amounts of time to the Organization's program services and fundraising activities.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statements of activities as net assets released from restrictions.

Functional Expenses

Expenses by function have been charged to programs and supporting services classifications on the basis of estimates made by the Organization's management and board of directors.

Advertising

Advertising costs are expensed as incurred.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable *Minnesota Statute*. The Organization is a public charity and contributions to the Organization qualify as a charitable tax deduction by the contributor. The Organization follows the guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The Organization's tax returns are subject to review and examination by federal, state, and local authorities.

Fair Value Measurements

Accounting standards require disclosure of fair value information about financial instruments, whether or not recognized in the statements of financial position, for which an estimated value is practicable. Certain financial instruments and all nonfinancial instruments are excluded from the standard's disclosure requirements.

The Organization follows accounting standards that define fair value, establish a framework for measuring fair value in accordance with existing U.S. GAAP, and expand disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes inputs according to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level inputs are defined as follows.

> Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
>
> Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.
>
> Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

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

Recently Issued Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right to use" an asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. This update is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard will affect organizations that enter into contracts with customers and provides a five-step process for determining when revenue should be recognized to match the transfer of goods or services. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

Clarifying Guidance for Contributions Received and Contributions Made
In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This update aims to standardize how grants and other contracts are classified as either an exchange transaction or a contribution. Classifying grants as either a contribution or exchange transaction is the first step in implementing revenue recognition. For most recipients, this update is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Presentation of Financial Statements of Not-For-Profit Entities
In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities (Topic 958). This update does not have an impact on recognition or measurement of assets, liabilities, net assets, revenues or expenses. It instead improves the presentation of financial statements of not-for-profit entities. This standard reduces the net asset classification from three to two; net assets with and without donor restrictions. In addition, this update expands disclosures about liquidity and financial performance of the not-for-profit entity. This update is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

NOTE 2 – PLEDGES RECEIVABLES

Included in the pledges receivable at April 30 are the following:

	2018	2017
Annual campaign pledges receivable	$ 804,803	$ 1,400,131
Other contributions receivable	-	13,000
Less: allowance for doubtful accounts	(137,206)	(359,658)
Total	$ 667,597	$ 1,053,473

All amounts are expected to be collected within the next fiscal year.

As of April 30, 2018 and 2017, balances due from one charitable foundation, The Harry Kay Charitable Foundation, represented 25% and 19%, respectively of pledges receivable.

NOTE 3 – INVESTMENTS

Investments consisted of the following at April 30:

	2018		
	Other Investments	CRT Investments	Total
Money markets	$ 261,129	$ 17,006	$ 278,135
Equity securities and funds	7,219,034	594,028	7,813,062
Fixed income securities and funds	1,717,997	1,191,086	2,909,083
Marketable alternative fund	3,125,037	-	3,125,037
Special opportunities fund	1,332,853	-	1,332,853
Cash value of life insurance	854,126	-	854,126
Total	$ 14,510,176	$ 1,802,120	$ 16,312,296

	2017		
	Other Investments	CRT Investments	Total
Money markets	$ 411,798	$ 12,968	$ 424,766
Equity securities and funds	6,835,542	588,403	7,423,945
Fixed income securities and funds	2,035,075	1,267,013	3,302,088
Marketable alternative fund	4,164,967	-	4,164,967
Special opportunities fund	1,600,848	-	1,600,848
Israel bonds	14,500	-	14,500
Other investments			
Stock in private company	100,000	-	100,000
Cash value of life insurance	812,473	-	812,473
Total	$ 15,975,203	$ 1,868,384	$ 17,843,587

NOTE 3 – INVESTMENTS (CONTINUED)

A recap of investment income for the years ended April 30 is as follows:

	2018	2017
Interest and dividends	$ 78,771	$ 165,675
Realized and unrealized investment gain	1,163,294	973,651
Investment fees	(56,583)	(58,358)
Net investment income	$ 1,185,482	$ 1,080,968

NOTE 4 – FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value, refer to Note 1. The Organization has adopted ASU 2015-07 and as such, investments that had fair value determined though net asset value have been removed from the tables below and on the following page.

The following tables present the Organization's fair value hierarchy investment balances measured at fair value on a recurring basis as of April 30:

	2018			
	Level 1	Level 2	Level 3	Total
Investments				
Equity securities and funds	$ 2,012,744	$ -	$ -	$ 2,012,744
Fixed income securities and f	822,877	1,191,086	-	2,013,963
Marketable alternative funds	158,316	-	-	158,316
Beneficial interest in trust	-	-	55,638	55,638
Total	$ 2,993,937	$ 1,191,086	$ 55,638	4,240,661
Assets not held at fair value:				
Cash				278,135
Cash value of life insurance				854,126
Investments held at net asset value				10,995,012
Total				$ 16,367,934

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the Organization's fair value hierarchy investment balances measured at fair value on a recurring basis as of April 30:

	2017			
	Level 1	Level 2	Level 3	Total
Investments				
Equity securities and funds	$ 1,612,487	$ -	$ -	$ 1,612,487
Fixed income securities and f	769,296	1,267,013	-	2,036,309
Marketable alternative funds	171,091	-	-	171,091
Israel bonds	-	-	14,500	14,500
Beneficial interest in trust	-	-	55,638	55,638
Total	$ 2,552,874	$ 1,267,013	$ 70,138	$ 3,890,025
Assets not held at fair value:				
Cash				424,766
Stock in private company				100,000
Cash value of life insurance				812,473
Investments held at net asset value				12,671,961
Total				$ 17,899,225

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets by fair value category for the years ended April 30:

	Israel Bonds	Beneficial Interest in Trust	Total
Balance at April 30, 2016	$ 14,500	$ 55,638	$ 70,138
Investment gains (losses)	-	-	-
Balance as of April 30, 2017	14,500	55,638	70,138
Redemption of investment	(14,500)	-	(14,500)
Balance as of April 30, 2018	$ -	$ 55,638	$ 55,638

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

Investments Held at Net Asset Value

The following table summarizes investments held at net asset value as of April 30:

Description	2018	2017	Redemption Frequency if Currently Available	Redemption Notice Period
Equity fund	$ 5,800,318	$ 5,811,458	Quarterly	30 Days
Fixed income fund	895,120	1,265,779	Quarterly	30 Days
Marketable alternative funds	2,966,721	3,993,876	Quarterly	6 Months
Special opportunities fund	1,332,853	1,600,848	50% annually at 12/31, 2-year pro-rata schedule	6 Months

The equity fund achieves its investment objective of total return and growth through allocations to global equities diversified across broad company, country, currency, sector, and capitalization exposure. The fund invests in funds and limited partnerships that may impose certain constraints upon discretionary withdrawals as set forth in the partnership agreements, which may include initial lock-up periods, gates provisions, and redemption fees.

The fixed income fund achieves its objective to provide income, capital preservation, and liquidity by investing primarily in investment companies that provide exposure to corporate, government, and asset backed debt, broadly diversified across geography, issuer, strategy, sector, and quality.

The marketable alternative fund achieves its investment objective of diversification, risk reduction, and return enhancement through broadly diversified allocations to two primary hedge fund categories, absolute return and market directional. Absolute return strategies exploit inefficiencies and mispriced securities while "hedging out" the effects of the market's overall direction in an effort to minimize market risk. Market directional strategies seek to take advantage of broad movements in securities prices, and therefore have a higher market risk component than the absolute return stratifies. The fund invests in funds and limited partnerships that may impose certain constraints upon discretionary withdrawals as set forth in the partnership agreements which may include initial lock-up periods, gates provisions, and redemption fees.

The special opportunities fund invests in distressed securities strategies and equity managers with concentrated equity portfolios. To achieve equity-like returns and provide inflation protection, the fund targets exposure to real assets via investments in commodities, energy stocks, and real estate sectors. The fund invests in funds and limited partnerships that may impose certain constraints upon discretionary withdrawals as set forth in the partnership agreements, which may include initial lock-up periods, gates provisions, and redemption fees.

NOTE 5 – PAYABLE TO JFNA

In October 2018, JFNA forgave $2,667,358 of beneficiary allocations that were accrued and included in JFNA payable at April 30, 2017. The JFNA payable was reduced and revenue was recognized for this amount for the year ended April 30, 2018. Amounts forgiven related to allocations which exceeded campaign contributions received. As of April 30, 2018 and 2017, the Organization had obligations of $149,451 and $2,751,502, respectively, to JFNA for grants related to fulfillment of the Organization's various collection campaigns and corresponding board approved allocations. All amounts are classified as current because they are either scheduled to be paid, or are likely to be paid, within one year.

NOTE 6 – COMMITMENTS AND CONTIGENCIES

The Organization leases its facility under an operating lease which expires April 30, 2021. Future payments required under the lease agreement are as follows for the year ending April 30:

2019	$ 31,063
2020	32,616
2021	34,247
Total	$ 97,926

Total rental expense for 2018 and 2017 was $29,584 and $28,175, respectively.

NOTE 7 – RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at April 30:

	2018	2017
Purpose restricted	$ 663,400	$ 658,622
Time restricted – net pledges received	517,720	572,608
Time restricted – CRT assets net of related liability	1,030,024	1,031,208
Total	$ 2,211,144	$ 2,262,438

NOTE 7 – RESTRICTED NET ASSETS (CONTINUED)

Permanently restricted net assets consist of the following at April 30:

	2018	2017
Specific purpose	$ 4,304,155	$ 4,262,356
Annual campaign	2,347,882	2,337,608
Total	$ 6,652,037	$ 6,599,964

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes or by occurrence of other events specified by donors as follows, for the years ended April 30:

	2018	2017
Time restriction elapsed or program satisfaction	$ 707,660	$ 563,908

NOTE 8 – ENDOWMENT

The Organization's endowment consists of multiple individual funds of permanently restricted endowments established for a variety of purposes by donors.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the historic dollar value of the original gift.

NOTE 8 – ENDOWMENT (CONTINUED)

The following is a summary of donor established endowment fund activity for the years ended April 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment investments May 1, 2016	$ (272,345)	$ 186,703	$ 5,294,964	$ 5,209,322
Investment income	(63,966)	254,067	-	190,101
Contributions	-	-	1,305,000	1,305,000
Appropriations of endowment assets for expenditure	(445,155)	(75,262)	-	(520,417)
Endowment investments April 30, 2017	(781,466)	365,508	6,599,964	6,184,006
Investment income	225,114	100,340		325,454
Contributions	-	-	52,073	52,073
Appropriations of endowment assets for expenditure	(82,024)	(77,036)	-	(159,060)
Endowment investments April 30, 2018	$ (638,376)	$ 388,812	$ 6,652,037	$ 6,402,473

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 UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were $638,376 and $781,466 as of April 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation programs that were deemed prudent by the board of directors.

Return Objectives and Risk Parameters
The primary investment objective of the portfolio is an emphasis on capital appreciation with modest current income. The portfolio seeks to maximize potential total return consistent with minimizing overall volatility in the context of these guidelines. The total rate of return for individual investment styles will be compared to their appropriate index.

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

NOTE 8 – ENDOWMENT (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy
The board of directors approved appropriations of $159,060 and $520,417 during 2018 and 2017, respectively, of the endowment fund balance as the end of the prior year. The amount is determined based on the overall needs of the Organization balanced with the long-term investment return objectives for a fund to be held in perpetuity.

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Organization has a defined contribution 403(b) annuity plan covering substantially all employees who are 21 years of age or older and have completed one year of service. Employees may elect to defer up to 15% of compensation or the maximum contribution permitted by the Internal Revenue Service, whichever is less. The Organization is required to match 150% of the first 4% of the employee deferrals. Retirement expense was $28,612 and $32,039 for 2018 and 2017, respectively.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Organization appropriates amounts to various local beneficiary agencies. Certain individuals who serve on board of directors of the Organization also serve on the boards of directors of the recipient local beneficiary agencies. The Organization also receives contributions from the board of directors.

NOTE 11 – RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation used in the current year financial statements.

NOTE 12 – SUBSEQUENT EVENTS

See Note 5.

The Organization has evaluated events and transactions for potential recognition or disclosure in these financial statements through February 27, 2019, the date the financial statements were available to be issued.