

**UNITED JEWISH FUND AND COUNCIL**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED APRIL 30, 2015 AND 2014**

**UNITED JEWISH FUND AND COUNCIL  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
United Jewish Fund and Council  
Minneapolis, Minnesota

We have audited the accompanying financial statements of United Jewish Fund and Council, which comprise the statements of financial position as of April 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors  
United Jewish Fund and Council

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Jewish Fund and Council as of April 30, 2015 and 2014, and the 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 17, 2015

**UNITED JEWISH FUND AND COUNCIL  
STATEMENTS OF FINANCIAL POSITION  
APRIL 30, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 348,206	\$ 432,338
Pledges Receivable, Less Allowance for Doubtful Accounts	1,151,608	1,311,314
Prepaid Expenses and Other Current Assets	2,836	9,110
Beneficial Interest in Trust	54,049	54,049
Total Current Assets	1,556,699	1,806,811
<b>INVESTMENTS</b>		
Assets Held in Charitable Remainder Trusts	1,935,774	1,873,545
Other Investments	11,111,990	10,286,065
Total Investments	13,047,764	12,159,610
<b>PROPERTY AND EQUIPMENT, AT COST</b>		
Furniture and Equipment	91,443	134,982
Leasehold Improvements	57,489	57,489
Total Property and Equipment, at Cost	148,932	192,471
Less: Accumulated Depreciation and Amortization	137,108	170,643
Net Property and Equipment	11,824	21,828
Total Assets	\$ 14,616,287	\$ 13,988,249
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ -	\$ 11,725
Current Maturities of Notes Payable	-	15,017
Beneficiary and Grants Payable	2,516,205	2,393,887
Passport to Israel	207,680	231,473
Other Current Liabilities	34,933	32,387
Total Current Liabilities	2,758,818	2,684,489
<b>LONG-TERM LIABILITIES</b>		
Charitable Remainder Trust Liability	939,525	947,860
Notes Payable, Less Current Maturities	-	183,259
Total Long-Term Liabilities	939,525	1,131,119
Total Liabilities	3,698,343	3,815,608
<b>NET ASSETS</b>		
Unrestricted	5,613,563	4,957,389
Temporarily Restricted	2,093,962	2,024,547
Permanently Restricted	3,210,419	3,190,705
Total Net Assets	10,917,944	10,172,641
Total Liabilities and Net Assets	\$ 14,616,287	\$ 13,988,249

See accompanying Notes to Financial Statements.

**UNITED JEWISH FUND AND COUNCIL  
STATEMENTS OF ACTIVITIES  
YEARS ENDED APRIL 30, 2015 AND 2014**

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>								
Contributions	2,874,567	\$ 800,761	\$ 19,714	\$ 3,695,042	\$ 2,601,230	\$ 675,455	\$ -	\$ 3,276,685
Investment Income	407,482	130,358	-	537,840	504,576	241,209	-	745,785
Change in Value of CRT	-	41,957	-	41,957	-	62,601	-	62,601
Other	-	-	-	-	15,633	-	-	15,633
	<u>3,282,049</u>	<u>973,076</u>	<u>19,714</u>	<u>4,274,839</u>	<u>3,121,439</u>	<u>979,265</u>	<u>-</u>	<u>4,100,704</u>
Net Assets Released from Restrictions	903,661	(903,661)	-	-	462,758	(462,758)	-	-
	<u>4,185,710</u>	<u>69,415</u>	<u>19,714</u>	<u>4,274,839</u>	<u>3,584,197</u>	<u>516,507</u>	<u>-</u>	<u>4,100,704</u>
<b>EXPENSES</b>								
Program Services:								
Community Services	2,642,195	-	-	2,642,195	2,629,259	-	-	2,629,259
Leadership Development	133,075	-	-	133,075	75,558	-	-	75,558
Total Program Services	<u>2,775,270</u>	<u>-</u>	<u>-</u>	<u>2,775,270</u>	<u>2,704,817</u>	<u>-</u>	<u>-</u>	<u>2,704,817</u>
Support Services:								
Management and General	481,041	-	-	481,041	537,626	-	-	537,626
Campaign and Fundraising	273,225	-	-	273,225	312,488	-	-	312,488
Total Support Services	<u>754,266</u>	<u>-</u>	<u>-</u>	<u>754,266</u>	<u>850,114</u>	<u>-</u>	<u>-</u>	<u>850,114</u>
Total Expenses	<u>3,529,536</u>	<u>-</u>	<u>-</u>	<u>3,529,536</u>	<u>3,554,931</u>	<u>-</u>	<u>-</u>	<u>3,554,931</u>
<b>CHANGE IN NET ASSETS</b>	656,174	69,415	19,714	745,303	29,266	516,507	-	545,773
Net Assets - Beginning of Year	<u>4,957,389</u>	<u>2,024,547</u>	<u>3,190,705</u>	<u>10,172,641</u>	<u>4,928,123</u>	<u>1,508,040</u>	<u>3,190,705</u>	<u>9,626,868</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,613,563</u>	<u>\$ 2,093,962</u>	<u>\$ 3,210,419</u>	<u>\$ 10,917,944</u>	<u>\$ 4,957,389</u>	<u>\$ 2,024,547</u>	<u>\$ 3,190,705</u>	<u>\$ 10,172,641</u>

See accompanying Notes to Financial Statements.

**UNITED JEWISH FUND AND COUNCIL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED APRIL 30, 2015**

	Program Services			Support Services			Total
	Community Services	Leadership Development	Total Program Services	Management and General	Campaign and Fundraising	Total Support Services	
Allocation to Beneficiaries:							
Local	\$ 1,519,881	\$ 52,775	\$ 1,572,656	\$ -	\$ -	\$ -	\$ 1,572,656
Regional	42,530	-	42,530	-	-	-	42,530
National	668,654	-	668,654	-	-	-	668,654
Total Allocation to Beneficiaries	2,231,065	52,775	2,283,840	-	-	-	2,283,840
Other Functional Expenses:							
Salaries and Benefits	208,277	73,800	282,077	237,187	194,152	431,339	713,416
Professional Fees	-	-	-	18,705	-	18,705	18,705
Campaign	-	-	-	-	56,531	56,531	56,531
Computer Operations	5,845	-	5,845	5,617	-	5,617	11,462
General	-	-	-	6,898	-	6,898	6,898
Insurance	-	-	-	7,271	-	7,271	7,271
Interest	-	-	-	4,598	-	4,598	4,598
Marketing	-	-	-	3,863	1,048	4,911	4,911
Printing	7,563	-	7,563	1,412	1,170	2,582	10,145
Provision for Uncollectible Pledges - Net	-	-	-	76,118	-	76,118	76,118
Rent - Facilities	7,000	6,500	13,500	36,500	14,230	50,730	64,230
Scholarships	170,822	-	170,822	-	-	-	170,822
Brokerage and Bank Fees	-	-	-	61,629	-	61,629	61,629
Events and Meetings	4,972	-	4,972	6,027	-	6,027	10,999
Supplies and Postage	3,988	-	3,988	3,854	4,893	8,747	12,735
Telephone	2,663	-	2,663	1,358	1,201	2,559	5,222
Total Other Functional Expenses	411,130	80,300	491,430	471,037	273,225	744,262	1,235,692
Depreciation and Amortization	-	-	-	10,004	-	10,004	10,004
Total Expenses	<u>\$ 2,642,195</u>	<u>\$ 133,075</u>	<u>\$ 2,775,270</u>	<u>\$ 481,041</u>	<u>\$ 273,225</u>	<u>\$ 754,266</u>	<u>\$ 3,529,536</u>

See accompanying Notes to Financial Statements.

**UNITED JEWISH FUND AND COUNCIL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED APRIL 30, 2014**

	Program Services			Support Services			Total
	Community Services	Leadership Development	Total Program Services	Management and General	Campaign and Fundraising	Total Support Services	
Allocation to Beneficiaries:							
Local	\$ 1,490,692	\$ 11,180	\$ 1,501,872	\$ -	\$ -	\$ -	\$ 1,501,872
Regional	34,940	-	34,940	-	-	-	34,940
National	665,346	-	665,346	-	-	-	665,346
Total Allocation to Beneficiaries	2,190,978	11,180	2,202,158	-	-	-	2,202,158
Other Functional Expenses:							
Salaries and Benefits	236,683	51,774	288,457	221,890	229,287	451,177	739,634
Professional Fees	-	-	-	39,416	-	39,416	39,416
Campaign	-	-	-	-	50,211	50,211	50,211
Computer Operations	-	-	-	9,420	-	9,420	9,420
General	15,087	6,104	21,191	14,143	11,811	25,954	47,145
Insurance	-	-	-	7,908	-	7,908	7,908
Interest	-	-	-	28,421	-	28,421	28,421
Marketing	-	-	-	10,559	-	10,559	10,559
Printing	-	-	-	7,117	790	7,907	7,907
Provision for Uncollectible Pledges - Net	-	-	-	70,350	-	70,350	70,350
Rent - Facilities	7,000	6,500	13,500	31,820	18,319	50,139	63,639
Scholarships	178,446	-	178,446	-	-	-	178,446
Brokerage and Bank Fees	-	-	-	62,857	-	62,857	62,857
Supplies and Postage	1,065	-	1,065	17,605	2,070	19,675	20,740
Telephone	-	-	-	7,334	-	7,334	7,334
Total Other Functional Expenses	438,281	64,378	502,659	528,840	312,488	841,328	1,343,987
Depreciation and Amortization	-	-	-	8,786	-	8,786	8,786
Total Expenses	\$ 2,629,259	\$ 75,558	\$ 2,704,817	\$ 537,626	\$ 312,488	\$ 850,114	\$ 3,554,931

See accompanying Notes to Financial Statements.



**UNITED JEWISH FUND AND COUNCIL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED APRIL 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 745,303	\$ 545,773
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	10,004	8,786
Realized and Unrealized Investment Gains	(405,989)	(703,130)
Decrease in Value of Charitable Remainder Trust	(70,564)	(62,601)
Permanently Restricted Contributions	(19,714)	-
Net Change in:		
Pledges Receivable	159,706	79,432
Beneficial Interest in Trust	-	8,750
Prepaid Expenses and Other Current Assets	6,274	2,136
Accounts Payable	(11,725)	(5,197)
Beneficiary and Grants Payable	122,318	211,602
Passport to Israel	(23,793)	(147,689)
Other Current Liabilities	2,546	(2,891)
Net Cash Provided (Used) by Operating Activities	514,366	(65,029)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Leasehold Improvements	-	(12,094)
Purchase of Investments, Including Reinvested Income	(2,005,566)	(1,147,866)
Proceeds from the Sale/Maturity of Investments	1,585,630	1,682,980
Net Cash Provided (Used) by Investing Activities	(419,936)	523,020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Notes Payable	(198,276)	(273,003)
Permanently Restricted Contributions	19,714	-
Net Cash Used by Financing Activities	(178,562)	(273,003)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(84,132)	184,988
Cash and Cash Equivalents - Beginning of Year	432,338	247,350
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 348,206	\$ 432,338
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest Paid	\$ 3,314	\$ 28,421

See accompanying Notes to Financial Statements.

**UNITED JEWISH FUND AND COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

United Jewish Fund and Council (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.

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Basis of Presentation**

The Organization follows Accounting for Contributions Received and Contributions Made, Financial Statements for Not-for-Profit Organizations, and Accounting for Certain Investments.

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. Designated amounts represent those revenues which the board has set aside for a particular purpose.

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 a donor imposed restriction 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.

**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. 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).

**UNITED JEWISH FUND AND COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Cash and Cash Equivalents and Investments (Continued)**

Investments in equity securities that have a 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 in 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 statement of activities as a component of investment income. Realized and unrealized gains and losses are included in the accompanying statements of activities.

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 temporarily restricted contribution.

**Depreciation and Amortization**

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 depreciation and amortizable furniture, equipment, leasehold improvements and financing fees to operations over their estimated service lives, using the straight-line method.

**UNITED JEWISH FUND AND COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Depreciation and Amortization (Continued)**

The estimated lives used are as follows:

	<u>Years</u>
Furniture and Equipment	3 – 10
Leasehold Improvements	5 – 10

**Beneficiary and Grants Payable**

Beneficiary and grants payable that are expected to be fulfilled within one year are recorded at their net realizable value. Those that are expected to be fulfilled in future years are recorded at the present value of the amounts expected to be paid using an imputed interest rate. Amortization of the discount is included in program service expenses.

**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 participant's parents, participant's synagogue, and a partial match from the Organization. If the program's funds are not used, they must be returned to the donors.

**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, 2015 and 2014 was based on an assumed discount rate of 3.4%.

**Donated Goods and Services**

Donated goods are valued at their fair market value. Donated services have not been recognized in these financial statements because no specialized skills have been provided; however, a substantial number of volunteers have donated significant amounts of time to the Organization's program services and fundraising activities.

**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.

**UNITED JEWISH FUND AND COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2015 AND 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**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.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fair Value Measurements**

Accounting standards require disclosure of fair value information about financial instruments, whether or not recognized in the statement 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 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). 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.

**UNITED JEWISH FUND AND COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure in these financial statements through September 17, 2015, the date the financial statements were available to be issued.

**NOTE 2 RECEIVABLES**

**Pledges Receivable**

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

	<u>2015</u>	<u>2014</u>
Annual Campaign Pledges	\$ 1,296,018	\$ 1,340,724
In-Kind Rent Discount (Note 7)	-	115,000
Subtotal	<u>1,296,018</u>	<u>1,455,724</u>
Less: Allowance for Doubtful Accounts	144,410	144,410
Total	<u><u>\$ 1,151,608</u></u>	<u><u>\$ 1,311,314</u></u>

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

As of April 30, 2015 and 2014, balances due from one charitable foundation represented 26% and 21%, respectively of pledges receivable.

**NOTE 3 INVESTMENTS**

Investments consisted of the following at April 30, 2015:

	<u>Other</u>	<u>CRT</u>	<u>Total</u>
	<u>Investments</u>	<u>Investments</u>	
Money Markets	\$ 418,917	\$ 13,784	\$ 432,701
Equity Securities and Funds	4,908,902	593,486	5,502,388
Fixed Income Securities and Funds	1,554,548	1,328,504	2,883,052
Marketable Alternative Fund	2,414,766	-	2,414,766
Special Opportunities Fund	919,830	-	919,830
Israel Bonds	15,146	-	15,146
Other Investments:			
Stock in Private Company	100,000	-	100,000
Cash Value of Life Insurance	779,881	-	779,881
Total	<u><u>\$ 11,111,990</u></u>	<u><u>\$ 1,935,774</u></u>	<u><u>\$ 13,047,764</u></u>

**UNITED JEWISH FUND AND COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2015 AND 2014**

**NOTE 3 INVESTMENTS (CONTINUED)**

Investments consisted of the following at April 30, 2014:

	Other <u>Investments</u>	CRT <u>Investments</u>	<u>Total</u>
Money Markets	\$ 405,016	\$ 16,269	\$ 421,285
Equity Securities and Funds	4,431,394	559,456	4,990,850
Fixed Income Securities and Funds	1,308,591	1,297,820	2,606,411
Marketable Alternative Fund	2,332,750	-	2,332,750
Special Opportunities Fund	853,658	-	853,658
Israel Bonds	30,646	-	30,646
Other Investments:			
Stock in Private Company	100,000	-	100,000
Partnership Interests	66,000	-	66,000
Cash Value of Life Insurance	758,010	-	758,010
Total	<u>\$ 10,286,065</u>	<u>\$ 1,873,545</u>	<u>\$ 12,159,610</u>

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

	<u>2015</u>	<u>2014</u>
Interest and Dividends	\$ 206,968	\$ 100,665
Realized and Unrealized Investment Gains	405,989	703,130
Investment Fees	(75,117)	(58,010)
Net Investment Income	<u>\$ 537,840</u>	<u>\$ 745,785</u>

Following is a recap of the change in Charitable Remainder Trust (CRT) activity for the years ended April 30:

	<u>2015</u>	<u>2014</u>
Investment Earnings on CRT	\$ 178,375	\$ 176,963
Distributions to Third Party Beneficiaries	(128,083)	(112,413)
Increase in CRT Liability	(8,335)	(1,949)
Net Change in Value of CRT	<u>\$ 41,957</u>	<u>\$ 62,601</u>

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**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 Federation measures fair value, refer to Note 1 – Organization and Summary of Significant Accounting Policies.

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

	2015			Total
	Level 1	Level 2	Level 3	
Investments:				
Equity Securities and Funds	\$ 1,707,448	\$ 3,794,940	\$ -	\$ 5,502,388
Fixed Income Securities and Funds	1,985,231	897,821	-	2,883,052
Marketable Alternative Funds	172,973	-	2,241,793	2,414,766
Special Opportunities Fund	-	-	919,830	919,830
Israel Bonds	-	-	15,146	15,146
Beneficial Interest in Trust	-	-	54,049	54,049
Total	<u>\$ 3,865,652</u>	<u>\$ 4,692,761</u>	<u>\$ 3,230,818</u>	<u>\$ 11,789,231</u>
	2014			
	Level 1	Level 2	Level 3	Total
Investments:				
Equity Securities and Funds	\$ 1,054,475	\$ 3,936,375	\$ -	\$ 4,990,850
Fixed Income Securities and Funds	1,607,438	998,973	-	2,606,411
Marketable Alternative Fund	-	-	2,332,750	2,332,750
Special Opportunities Fund	-	-	853,658	853,658
Israel Bonds	-	-	30,646	30,646
Beneficial Interest in Trust	-	-	54,049	54,049
Total	<u>\$ 2,661,913</u>	<u>\$ 4,935,348</u>	<u>\$ 3,271,103</u>	<u>\$ 10,868,364</u>



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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Level 3 Assets**

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:

	Marketable Alternative Funds	Special Opportunities Fund	Israel Bonds	Beneficial Interest in Trust
Balance at April 30, 2013	\$ 2,038,625	\$ 878,165	\$ 32,838	\$ 62,799
Purchase of Investments	220,835	8,730	8,000	-
Redemption of Investment	(65,000)	(47,000)	(10,192)	(8,750)
Investment Gains	138,290	13,763	-	-
Balance as of April 30, 2014	2,332,750	853,658	30,646	54,049
Purchase of Investments	176,500	78,700	-	-
Redemption of Investment	(199,200)	(32,300)	(15,500)	-
Investment Gains	108,268	19,772	-	-
Transfer from Level 3	(176,525)	-	-	-
Balance as of April 30, 2015	<u>\$ 2,241,793</u>	<u>\$ 919,830</u>	<u>\$ 15,146</u>	<u>\$ 54,049</u>

**Level 2 and Level 3 Investment Funds**

The following table summarizes Level 2 and Level 3 investment funds as of April 30:

<u>Description</u>	<u>2015</u>	<u>2014</u>	Redemption Frequency if Currently Available	Redemption Notice Period
Equity Fund	\$ 3,794,940	\$ 3,936,375	Quarterly	30 Days
Fixed Income Fund	897,891	998,973	Quarterly	30 Days
Marketable Alternative Funds	2,241,793	2,332,750	Quarterly	6 Months
Special Opportunities Fund	919,830	853,658	Annually	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.

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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Level 2 and Level 3 Investment Funds (Continued)**

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 NOTES PAYABLE**

Notes payable consists of the following at April 30:

<u>Description</u>	<u>2015</u>	<u>2014</u>
Note payable entered into on March 21, 2011 with monthly payments of \$3,619 at 6.05% interest. The note was secured by essentially all unsecured assets of the organization and was repaid in full during 2015.	\$ -	\$ 198,276
Total	-	198,276
Less: Current Portion	-	15,017
Long-Term Portion	<u>\$ -</u>	<u>\$ 183,259</u>

**NOTE 6 BENEFICIARIES AND GRANTS PAYABLE**

As of April 30, 2015 and 2014, the Organization obligations of \$2,516,205 and \$2,393,887, respectively, to beneficiary organizations and for grants related to the fulfillment of the Organization’s various collection campaigns and 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.

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**NOTE 7 COMMITMENTS AND CONTINGENCIES**

The Organization leases its facility under an operating lease which expires April 30, 2016. In addition to base rent, the Organization is responsible for facility operating costs in excess of approximately \$17,200 on an annual basis. The annual amount and the future amounts below are net of a \$50,000 a year rental discount for below market rent from the landlord which is recorded as in-kind rent expense each year and initially recorded as a \$250,000 pledge receivable. The in-kind rent receivable at April 30, 2015 and 2014 is \$-0- and \$115,000, respectively.

Total rental expense for 2015 was \$64,230; \$14,230 cash paid for office lease and \$50,000 in-kind rent. Total rental expense for 2014 was \$63,639; \$13,639 cash paid for office lease and \$50,000 in-kind rent.

The Organization has an employment agreement with its executive director which provides for severance of one year salary and benefits if terminated for something other than "for cause."

**NOTE 8 RESTRICTED NET ASSETS**

**Temporarily Restricted**

Net assets temporarily restricted by donors consist of the following at April 30:

	<u>2015</u>	<u>2014</u>
Purpose Restricted	\$ 617,467	\$ 590,315
Time Restricted - Net Pledge Receivable	508,853	508,547
Time Restricted - CRT Assets Net of Related Liability	967,642	925,685
Total	<u>\$ 2,093,962</u>	<u>\$ 2,024,547</u>

**Permanently Restricted**

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

	<u>2015</u>	<u>2014</u>
Specific Purpose	\$ 1,457,131	\$ 1,457,131
Annual Campaign	1,753,288	1,733,574
Total	<u>\$ 3,210,419</u>	<u>\$ 3,190,705</u>

**Net Assets Released from Restrictions or Designations**

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:

	<u>2015</u>	<u>2014</u>
Time Restriction Elapsed or Program Satisfaction	\$ 903,661	\$ 462,758

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**NOTE 9 ENDOWMENT**

The Organization's endowment consists of multiple individual funds established for a variety of purposes. The Organization's endowment consists of permanent endowments established 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.

**Endowment Fund Activity and Balances**

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, 2013	\$ (103,211)	\$ 731,731	\$ 3,190,705	\$ 3,819,225
Investment Income	50,628	638,010	-	688,638
Contributions	-	-	-	-
Appropriations of Endowment				
Assets for Expenditure	(101,255)	(139,170)	-	(240,425)
Endowment Investments April 30, 2014	(153,838)	1,230,571	3,190,705	4,267,438
Investment Income	126,542	30,902	-	157,444
Contributions	-	-	19,714	19,714
Appropriations of Endowment				
Assets for Expenditure	(146,285)	(60,247)	-	(206,532)
Endowment Investments April 30, 2015	<u>\$ (173,581)</u>	<u>\$ 1,201,226</u>	<u>\$ 3,210,419</u>	<u>\$ 4,238,064</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$173,581 and \$153,838 as of April 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain 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.

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**NOTE 9 ENDOWMENT (CONTINUED)**

**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 return objectives within prudent risk constraints.

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

The board of directors approved appropriations of \$206,532 and \$240,425 during 2015 and 2014, respectively, of the endowment fund balance as of 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 10 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 1 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. Pension expense was \$28,471 and \$28,793 for the years ended April 30, 2015 and 2014, respectively.

**NOTE 11 RELATED PARTY TRANSACTIONS**

The Organization appropriates amounts to various local beneficiary agencies. Certain individuals who serve on the Board of Directors of the Organization also serve on the boards of directors of the recipient local beneficiary agencies.