

JEWISH FEDERATION OF GREATER PORTLAND

FINANCIAL STATEMENTS

Year Ended June 30, 2016



Jewish Federation
OF GREATER PORTLAND

JEWISH FEDERATION OF GREATER PORTLAND

FINANCIAL STATEMENTS

Year Ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jewish Federation of Greater Portland
Portland, Oregon

We have audited the accompanying financial statements of Jewish Federation of Greater Portland (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Federation of Greater Portland as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Jewish Federation of Greater Portland's June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 1, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KERN & THOMPSON, LLC

Portland, Oregon
October 6, 2016

JEWISH FEDERATION OF GREATER PORTLAND

STATEMENT OF FINANCIAL POSITION

June 30, 2016

(With Comparative Totals as of June 30, 2015)

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,907,370	\$ 1,984,429
Pledges receivable (Note C)	1,250,434	1,311,488
Other receivables	30,167	13,541
Note receivable (Note D)	80,000	90,000
Prepaid expenses	72,299	30,853
Investments (Note E)	2,627,245	2,650,705
Property and equipment, net of accumulated depreciation of \$236,051 and \$231,571, respectively (Note F)	<u>752,100</u>	<u>751,817</u>
Total assets	<u>\$ 6,719,615</u>	<u>\$ 6,832,833</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 86,815	\$ 68,546
Accrued vacation	31,032	28,796
Allocations payable (Note G)	<u>1,978,624</u>	<u>1,931,493</u>
Total liabilities	<u>2,096,471</u>	<u>2,028,835</u>
Net assets		
Unrestricted	3,638,934	3,742,848
Temporarily restricted (Note I)	802,035	878,975
Permanently restricted (Note I)	<u>182,175</u>	<u>182,175</u>
Total net assets	<u>4,623,144</u>	<u>4,803,998</u>
Total liabilities and net assets	<u>\$ 6,719,615</u>	<u>\$ 6,832,833</u>

See notes to financial statements.

JEWISH FEDERATION OF GREATER PORTLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
Revenues and other support					
Total campaign contributions	\$ 3,466,620	\$ 15,225	\$ -	\$ 3,481,845	\$ 3,391,902
Provision for uncollectible pledges	(80,636)	-	-	(80,636)	(72,096)
Net campaign contributions	3,385,984	15,225	-	3,401,209	3,319,806
Grants	202,647	-	-	202,647	203,277
Special events	72,758	-	-	72,758	78,411
Interest and dividends	51,922	31,994	-	83,916	67,699
Bequests and other	119,931	-	-	119,931	930,456
	3,833,242	47,219	-	3,880,461	4,599,649
Net assets released from restrictions	84,172	(84,172)	-	-	-
Total revenues and other support	<u>3,917,414</u>	<u>(36,953)</u>	<u>-</u>	<u>3,880,461</u>	<u>4,599,649</u>
Expenses					
Program services	3,119,787	-	-	3,119,787	3,078,501
Supporting services					
Management and general	284,416	-	-	284,416	308,425
Special events	129,219	-	-	129,219	109,262
Fund-raising	427,833	-	-	427,833	442,544
Total expenses	<u>3,961,255</u>	<u>-</u>	<u>-</u>	<u>3,961,255</u>	<u>3,938,732</u>
Change in unrestricted net assets before appreciation of investments	(43,841)	(36,953)	-	(80,794)	660,917
Net appreciation (depreciation) of investments	(60,073)	(39,987)	-	(100,060)	(38,854)
Change in net assets	<u>(103,914)</u>	<u>(76,940)</u>	<u>-</u>	<u>(180,854)</u>	<u>622,063</u>
Net assets					
Beginning of year	3,742,848	878,975	182,175	4,803,998	4,181,935
End of year	<u>\$ 3,638,934</u>	<u>\$ 802,035</u>	<u>\$ 182,175</u>	<u>\$ 4,623,144</u>	<u>\$ 4,803,998</u>

See notes to financial statements.

JEWISH FEDERATION OF GREATER PORTLAND

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	PROGRAM SERVICES								SUPPORTING SERVICES			Total	
	Agency and Other Support	Community Relations Committee	Community Planning and Coordination	Education	Outreach and Community Engagement	PJ Library	Leadership Development	Total Program	Management and General	Special Events	Financial Resource Development	2016	2015
Allocations and grants	\$ 2,268,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,268,365	\$ -	\$ -	\$ -	\$ 2,268,365	\$ 2,421,684
Salaries	-	103,464	116,610	27,204	152,024	29,356	14,061	442,719	161,501	-	266,557	870,777	764,357
Payroll taxes	-	8,621	9,716	2,267	12,667	2,446	1,172	36,889	13,457	-	22,210	72,556	64,124
Benefits	-	16,434	18,522	4,321	24,147	4,663	2,233	70,320	25,652	-	42,338	138,310	123,418
Contract labor	-	-	-	-	-	-	-	-	-	-	-	-	-
Advertising	-	5,214	-	-	10,427	5,214	2,607	23,462	-	-	13,034	36,496	40,040
Agency dues	-	4,600	-	-	-	-	-	4,600	-	-	-	4,600	7,260
Auto and travel	-	477	1,464	60	1,896	286	45	4,228	484	-	1,220	5,932	6,586
Books - PJ Library	-	-	-	-	-	46,949	-	46,949	-	-	-	46,949	34,421
Committee meetings	-	876	2,273	44	254	56	33	3,536	222	-	709	4,467	4,272
Cultivation	-	93	1,183	-	14,186	-	-	15,462	1,047	-	5,820	22,329	21,727
Data processing	-	728	546	243	910	303	182	2,912	1,214	-	1,942	6,068	7,771
Depreciation	-	538	403	179	672	224	134	2,150	896	-	1,434	4,480	4,739
Dues and subscriptions	-	566	219	97	444	122	73	1,521	486	-	1,070	3,077	5,343
Insurance	-	1,391	1,261	560	2,101	579	420	6,312	2,801	-	4,893	14,006	11,627
Interest expense	-	3,209	2,407	1,070	4,011	1,337	802	12,836	5,348	-	8,558	26,742	27,276
Office supplies	-	1,295	1,080	432	2,230	1,044	324	6,405	2,159	-	3,859	12,423	14,494
Printing and publishing	-	993	745	331	1,595	547	248	4,459	1,655	-	3,197	9,311	7,743
Postage	-	1,474	1,094	486	2,008	608	365	6,035	2,432	-	4,325	12,792	10,918
Professional conferences	-	5,476	5,137	-	-	280	-	10,893	5,884	-	-	16,777	14,978
Professional services	-	25,424	1,398	475	1,781	659	356	30,093	2,374	-	3,999	36,466	37,550
Rent	-	7,683	5,762	2,561	9,604	3,201	1,921	30,732	12,805	-	20,488	64,025	60,600
Utilities	-	1,627	1,220	542	2,034	678	407	6,508	2,712	-	4,339	13,559	14,057
Repairs and maintenance	-	570	428	190	1,012	488	143	2,831	951	-	1,521	5,303	5,324
Computer software, repairs	-	736	552	245	919	306	184	2,942	1,226	-	1,962	6,130	7,061
Equipment rent and repairs	-	3,183	2,388	1,061	3,979	1,326	796	12,733	5,306	-	8,489	26,528	24,302
Bank fees	-	-	-	-	-	-	-	-	25,886	-	-	25,886	24,210
Telephone	-	1,834	1,375	611	2,292	764	458	7,334	3,057	-	4,890	15,281	14,466
Training/recruitment	-	1,353	4,308	-	105	-	-	5,766	4,714	-	741	11,221	6,484
Special events	-	8,511	408	-	11,714	6,457	180	27,270	-	129,219	-	156,489	139,534
Missions	-	-	-	-	10,169	-	-	10,169	-	-	-	10,169	10,137
Other	-	90	68	30	13,107	38	23	13,356	147	-	238	13,741	2,229
	\$ 2,268,365	\$ 206,460	\$ 180,567	\$ 43,009	\$ 286,288	\$ 107,931	\$ 27,167	\$ 3,119,787	\$ 284,416	\$ 129,219	\$ 427,833	\$ 3,961,255	\$ 3,938,732

See notes to financial statements.

JEWISH FEDERATION OF GREATER PORTLAND

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (180,854)	\$ 622,063
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for uncollectible pledges	43,480	(86,844)
Donated property	-	(650,000)
Depreciation	4,480	4,738
Net realized and unrealized (gains) and losses on investments	99,646	33,458
Changes in assets and liabilities:		
Pledges receivable	17,574	49,747
Other receivables	(16,626)	199,706
Prepaid expenses	(41,446)	(10,704)
Accounts payable and accrued expenses	18,269	65,251
Accrued vacation	2,236	(10,202)
Allocations payable	47,131	108,819
Net cash provided by (used in) operating activities	(6,110)	326,032
Cash flows from investing activities:		
Acquisition of investments	(128,067)	(418,384)
Sales proceeds from investments	51,881	43,210
Note receivable advance	-	(100,000)
Note receivable principle received	10,000	10,000
Purchase of equipment	(4,763)	(2,547)
Net cash provided by (used in) investing activities	(70,949)	(467,721)
Net increase (decrease) in cash and cash equivalents	(77,059)	(141,689)
Cash and cash equivalents, beginning of year	1,984,429	2,126,118
Cash and cash equivalents, end of year	\$ 1,907,370	\$ 1,984,429

See notes to financial statements.

JEWISH FEDERATION OF GREATER PORTLAND

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – DESCRIPTION OF ORGANIZATION

The purpose of the Jewish Federation of Greater Portland (the Federation) is to further and promote Jewish charitable, religious, educational, and cultural endeavors primarily in the Portland metropolitan area. Funds are provided primarily by campaign contributions. The Board has established a group of endowment accounts (the Foundation) comprised of donor restricted and Board designated funds.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Federation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Classifications of net assets and support are based on the existence or absence of donor imposed restrictions.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Donor-restricted gifts received and expended within the same year are reported as unrestricted revenues. Expiration of temporary restrictions on net assets is reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift, except contributions of works of art, historical treasures, and similar assets held as part of collections are not recognized or capitalized. Contributions to be received after one year are discounted at a rate commensurate with the risk involved.

The Federation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Federation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash Equivalents

For financial reporting purposes, the Federation considers all liquid investments having initial maturities of three months or less when purchased to be cash equivalents.

JEWISH FEDERATION OF GREATER PORTLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Pledges Receivable

The Federation makes an annual determination of the adequacy of the allowance for pledges receivable by analyzing past results and the aging of pledges as of June 30 of each year. For the year ended June 30, 2016, the Federation has recorded a provision for uncollectible pledges of \$80,636. The total allowance for uncollectible pledges is \$420,272.

Investments and Fair Value Measurements

Investments are the only assets measured at fair value on a recurring basis. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data, or based on measurements by other third-party foundations.

Investments in equity and fixed income pools at the Oregon Jewish Community Foundation are all Level 3 investments in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. The Federation has no assets measured under Level 2.

Notes Receivable

Notes receivable are reported at their outstanding principal. Payments collected on notes receivable are amortized to principal and income using the interest method over the remaining period to contractual maturity. Notes receivable are considered by management to be fully collectable and, accordingly, no allowance for doubtful accounts is considered necessary. In making that determination, management evaluated the financial condition of the borrowers, the estimate value of the underlying collateral, and current economic conditions.

Property and Equipment

Property and equipment over \$1,000 is carried at cost when purchased, and at fair market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which are generally three to five years. Maintenance and repairs are expensed as incurred. Betterments and renewals are capitalized.

JEWISH FEDERATION OF GREATER PORTLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Federation has been approved as a tax-exempt organization under the Internal Revenue Code 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Federation does not believe it has unrelated trade or business tax income.

The Federation's federal exempt organization business tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Functional Allocation of Expenses

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

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Federation's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE C – PLEDGES RECEIVABLE

Pledges receivable, which are unconditional promises to give, consist of the following at June 30, 2016:

Pledges receivable expected to be collected in:	
Less than one year	\$ 1,670,706
One to five years	-
	<u>1,670,706</u>
Less allowance for uncollectible pledges	<u>(420,272)</u>
Net pledges receivable	<u>\$ 1,250,434</u>

JEWISH FEDERATION OF GREATER PORTLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE D – NOTE RECEIVABLE

Note receivable as of June 30, 2016 is from Chabad Lubavitch of Oregon. The loan carries an interest rate of 1% and is payable to the Federation in annual installments of \$10,000 plus accrued interest. The loan is fully collateralized and the final payment is due June 30, 2024.

NOTE E – INVESTMENTS

Investments as of June 30, 2016 include State of Israel bonds, a life insurance policy, land, a group of pooled investments held by the Oregon Jewish Community Foundation and funds managed by Morgan Stanley. Pooled funds and other marketable securities are recorded at fair market value and realized and unrealized gains and losses are reflected in the Statement of Activities. The remaining investments are recorded at cost as market values are not readily determinable. The following schedule displays the detail of investments by major types:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Oregon Jewish Community Foundation				
Equity pool	\$ 1,574,851	\$ -	\$ -	\$ 1,574,851
Fixed pool	936,522	-	-	936,522
Cash equivalents	-	-	-	-
Total Oregon Jewish Community Foundation	<u>2,511,373</u>	<u>-</u>	<u>-</u>	<u>2,511,373</u>
Morgan Stanley				
Individual equities	11,004	11,004	-	-
Pooled equities	57,955	57,955	-	-
Cash equivalents	4,402	4,402	-	-
Total Morgan Stanley	<u>73,361</u>	<u>73,361</u>	<u>-</u>	<u>-</u>
Other investments:				
State of Israel bonds	2,000	-	-	2,000
Life insurance policy (cash surrender value)	40,511	-	-	40,511
Total other	<u>42,511</u>	<u>-</u>	<u>-</u>	<u>42,511</u>
	<u>\$ 2,627,245</u>	<u>\$ 73,361</u>	<u>\$ -</u>	<u>\$ 2,553,884</u>

The changes in assets valued using Level 3 measurements are as follows:

Balance, June 30, 2015	\$ 2,553,187
Purchases	74,806
Sales	(31,881)
Total gains and losses included on the Statement of Activities	(87,453)
Contribution of Level 3 assets	45,225
Transfers in or out of Level 3	<u>-</u>
Balance, June 30, 2016	<u>\$ 2,553,884</u>

JEWISH FEDERATION OF GREATER PORTLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land	\$ 740,182
Leasehold improvements	210,139
Equipment	27,142
Furniture	<u>10,688</u>
	988,151
Accumulated depreciation	<u>(236,051)</u>
Total property and equipment	<u>\$ 752,100</u>

NOTE G – ALLOCATIONS PAYABLE

Allocations payable represent amounts promised to other agencies and special projects from the current year's campaign. Designated payables are current year campaign amounts contributed for specific agencies. Disbursement of annual allocations is generally made pro-rata over a twelve-month period less prepayments, which totals \$182,600 as of June 30, 2016. Funds have been allocated as follows:

	<u>Allocated</u>	<u>Designated</u>	<u>Total</u>
Campaign allocations:			
Jewish Federation of North America	\$ 125,000	\$ 24,540	\$ 149,540
Agencies:			
Portland Jewish Academy	185,000	9,430	194,430
Jewish Family and Child Service	215,000	10,706	225,706
Hillel (Local - UO and PDX and National)	75,000	17,400	92,400
Oregon Jewish Museum	27,500	11,600	39,100
BB Camp	30,000	3,518	33,518
Maimonides Jewish Day School	15,000	6,800	21,800
Mikveh Construction Campaign	-	103,077	103,077
Mittleman Jewish Community Center	110,000	4,200	114,200
Preschools	82,000	-	82,000
Jewish Youth Groups	22,500	-	22,500
Maayan Torah Day School	29,100	-	29,100
Robison	155,000	13,948	168,948
Birthright Israel	7,500	-	7,500
Overseas Special Projects	200,000	100	200,100
One Happy Camper	62,500	-	62,500
Other	<u>83,600</u>	<u>159,396</u>	<u>242,996</u>
Total campaign allocations	<u>1,424,700</u>	<u>364,715</u>	<u>1,789,415</u>
Mittleman Jewish Community Center commitment	<u>220,000</u>	<u>100,000</u>	<u>320,000</u>
	<u>\$ 1,644,700</u>	<u>\$ 464,715</u>	<u>2,109,415</u>
Prior year unpaid allocations			51,809
Less prepayments and pledge released from restriction			<u>(182,600)</u>
			<u>\$ 1,978,624</u>

JEWISH FEDERATION OF GREATER PORTLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE H – LEASE COMMITMENTS

The Federation rents its office facilities for \$5,512 per month under an operating lease agreement which expires April 30, 2019.

The Federation also rents office equipment for \$2,095 per month under an operating lease which expires in August 2018.

Minimum future lease payments are as follows:

Year Ending June 30,	Office	Equipment	Total
2017	\$ 66,530	\$ 25,140	\$ 91,670
2018	68,860	25,140	94,000
2019	59,050	6,285	65,335
	\$ 194,440	\$ 56,565	\$ 251,005

Total rent expense for the above leases amounted to approximately \$85,000 for the year ended June 30, 2016.

NOTE I – RESTRICTIONS ON ASSETS

Temporarily restricted net assets are assets subject to donor-imposed stipulations that will be met by action of the Federation, or by the passing of time:

Temporarily Restricted for Purpose:

Blumaer	\$	72,675	Student loans, immigrant loans
Brownfain		10,130	Young leadership
Chernoff		13,797	Jewish education
Georges		55,552	Teen Israel
Packouz		73,361	Pledge payment
Rosenthal		15,013	Solicitor training
Rosenfeld		156,405	Pledge payment
Sigma Alpha Mu		118,859	University of Oregon lectures, conferences
Sussman		58,198	College scholarships
Turner		103,468	Needy families, MJCC dues
Newmark		93,253	Lion of Judah
Hesed Shel Emet		31,324	Indigent burial
	\$	802,035	

JEWISH FEDERATION OF GREATER PORTLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE I – RESTRICTIONS ON ASSETS (CONTINUED)

The restrictions are considered to expire when expenses are incurred to satisfy the restricted purpose by the passing of time, or by occurrence of other events as specified by donors.

Permanently restricted net assets are assets subject to donor-imposed stipulations that the principal must be maintained in perpetuity.

Permanently Restricted:

Chernoff	\$ 14,369	Jewish education
Georges	24,930	Teen Israel
Tonkon	<u>142,876</u>	Annual pledge payments
	<u>\$ 182,175</u>	

In the event the permanent restriction is lifted by the donor, funds are reclassified as unrestricted net assets.

NOTE J – LINE OF CREDIT

The Federation has a \$500,000 unsecured revolving line of credit with Key Bank at the bank's prime rate of interest (3.25% at June 30, 2016). There were no advances on the line as of June 30, 2016.

NOTE K – ENDOWMENT NET ASSETS

Description of Endowment

The Federation's endowment consists of 19 individual funds held and managed by the Oregon Jewish Community Foundation (OJCF), and one fund managed by Morgan Stanley. They are established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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 Oregon enacted its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2008. The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

JEWISH FEDERATION OF GREATER PORTLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE K – ENDOWMENT NET ASSETS (CONTINUED)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Federation, and (7) the Federation's investment policies.

Investment and Spending Policies

The goal of the Federation's investment program is to achieve a total rate of return that will allow the Federation to respond to today's needs and the long-term growth necessary to respond to future needs. The investment objective is to retain (at a minimum) and when possible, increase the purchasing power of the funds, while at the same time producing a reasonable return for distribution to meet current needs. To meet this investment objective, the Federation relies on the OJCF to follow a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). The Federation's assets are invested in a mixture of equities, fixed-income instruments, private instruments, and cash.

The Federation's spending policy is to appropriate all investment earnings from the previous year for distribution from funds restricted or designated for endowment. Unless subject to donor restrictions, the board retains the ability increase or reduce appropriations due to the specific needs of the Federation.

Endowment net assets composition by type of fund as of June 30, 2016 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Board-designated funds	\$ 1,382,605	\$ -	\$ -	\$ 1,382,605
Donor-restricted funds	<u>-</u>	<u>802,035</u>	<u>182,175</u>	<u>984,210</u>
Total endowment net assets	<u>\$ 1,382,605</u>	<u>\$ 802,035</u>	<u>\$ 182,175</u>	<u>\$ 2,366,815</u>

JEWISH FEDERATION OF GREATER PORTLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE K – ENDOWMENT NET ASSETS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 1,464,275	\$ 853,975	\$ 182,175	\$ 2,500,425
Plus grants unpaid at end of prior year	89,490	18,599	-	108,089
Contributions	30,000	15,225	-	45,225
Interest income	50,530	31,993	-	82,523
Investment gains (losses)	(59,659)	(39,987)	-	(99,646)
Appropriations for expenditure	77,770	(77,770)	-	-
Expenditures	<u>(269,801)</u>	<u>-</u>	<u>-</u>	<u>(269,801)</u>
 Endowment net assets, end of year	 <u>\$ 1,382,605</u>	 <u>\$ 802,035</u>	 <u>\$ 182,175</u>	 <u>\$ 2,366,815</u>

NOTE L – PENSION PLANS

The Federation participates in a defined contribution pension plan. Employees are generally eligible for participation upon attaining one year of service and 21 years of age. Employees become fully vested upon meeting eligibility requirements. The Federation contributed 7% of the eligible employees' wages to the pension fund for the year ended June 30, 2016, which amounted to \$48,293.

NOTE M – CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Federation to credit risk consist of cash, promises to give and investments. The Federation's cash balances are with reputable banks and periodically exceed insured limits. The Federation's promises to give are from individuals and businesses in the Portland metropolitan area. A significant portion of the annual promises to give come from a few donors. Promises to give, which are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to individual accounts, are not collateralized and have been adjusted for all known doubtful accounts. Investments are in pooled funds with the Oregon Jewish Community Foundation as well as individual securities. The Federation invests primarily in stocks and corporate and government debt instruments that are publicly traded.

JEWISH FEDERATION OF GREATER PORTLAND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE N – RESTATEMENT

Net assets as of June 30, 2015 have been restated to correct the classification of restrictions between unrestricted and permanently restricted. The correction had no effect on total net assets. The cumulative effect of the restatement on the components of net assets as of June 30, 2015 is as follows:

	As Previously Reported	Corrections to Classification of Restrictions on Net Assets	Amounts as Restated
Unrestricted	\$ 3,742,848	\$ -	\$ 3,742,848
Temporarily restricted	778,975	100,000	878,975
Permanently restricted	282,175	(100,000)	182,175
Total net assets	\$ 4,803,998	\$ -	\$ 4,803,998

NOTE O – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 6, 2016, which is the date the financial statements were available to be issued.