

The Jewish Federations of North America, Inc. and Subsidiaries

**Consolidated Financial Statements
and Supplementary Information
Year Ended June 30, 2018**

**The Jewish Federations of North America, Inc.
and Subsidiaries**

Consolidated Financial Statements and Supplementary Information
Year Ended June 30, 2018

The Jewish Federations of North America, Inc. and Subsidiaries

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Independent Auditor's Report

To the Board of Trustees
The Jewish Federations of North America, Inc. and Subsidiaries
New York, New York

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Jewish Federations of North America, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

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

Other Matters

Our audit of the consolidated financial statements was conducted for the purpose of forming an opinion on those consolidated statements as a whole. The supplementary information presented on pages 33 through 35 of this report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and to other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Jewish Federations of North America, Inc. and Subsidiaries' 2017 consolidated financial statements and we expressed an unmodified opinion on those consolidated statements in our report dated December 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

December 14, 2018

The Jewish Federations of North America, Inc. and Subsidiaries

Consolidated Statement of Financial Position (with summarized comparative totals for 2017) (in thousands)

June 30,	2018	2017
Assets		
Current		
Cash and cash equivalents (Note 2)	\$ 24,845	\$ 19,126
Campaign allocations and annual assessments receivable (net of allowance for uncollectibles of \$9,647 and \$12,355 in 2018 and 2017, respectively) (Note 2)	190,179	199,388
U.S. Government grants receivable (Note 2)	745	1,264
Contributions receivable, primarily for capital projects in Israel, current (Notes 2 and 3)	379	1,522
Advances, other receivables and other assets, current (Note 2)	7,660	6,440
Investments, current (Note 4)	31,665	33,060
Total Current Assets	255,473	260,800
Contributions Receivable, Primarily for Capital Projects in Israel, net, less current portion (Notes 2 and 3)	4	123
Advances, Other Receivables and Other Assets, less current portion (Note 2)	80	80
Investments, less current portion (Note 4)	32,973	31,516
Capital Projects in Israel (Notes 2 and 6)	55,493	62,158
Fixed Assets, net (Notes 2 and 7)	4,504	4,951
Total Assets	\$ 348,527	\$ 359,628
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses (Note 2)	\$ 6,573	\$ 6,900
Loan payable, current (Note 8)	5,000	5,000
Accrued postretirement benefits other than pensions, current (Note 9)	310	308
Amounts held for others (Note 2)	3,522	4,431
Accrued pension benefit cost, current (Note 9)	2,900	2,681
Deferred revenue	3,652	2,795
Deferred rent, current	118	110
Other payables	186	92
Total Current Liabilities	22,261	22,317
Accrued Postretirement Benefits Other Than Pensions, less current portion (Note 9)	5,750	6,506
Loans Payable, less current portion (Note 8)	13,908	18,908
Deferred Rent, less current portion	6,183	6,302
Obligations Due Under Split Interest Agreements (Note 5)	2,771	2,930
Accrued Pension Benefit Cost, less current portion (Note 9)	9,389	13,627
Other Payables, less current portion	178	148
Total Liabilities	60,440	70,738
Commitments and Contingencies (Notes 2, 5, 8, 9, 10 and 11)		
Net Assets (Note 2)		
Unrestricted	121,043	118,810
Temporarily restricted (Note 11)	138,001	142,726
Permanently restricted (Note 11)	29,043	27,354
Total Net Assets	288,087	288,890
Total Liabilities and Net Assets	\$ 348,527	\$ 359,628

See accompanying notes to the consolidated financial statements.

The Jewish Federations of North America, Inc. and Subsidiaries

Consolidated Statement of Activities (with summarized comparative totals for 2017) (in thousands)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
Campaign allocations from communities and annual assessments (Note 2)	\$ 190,151	\$ 37,171	\$ -	\$ 227,322	\$ 248,920
Contributions	10,044	10,603	1,689	22,336	10,366
U.S. Government grants	9,215	-	-	9,215	6,770
The National Federation/Agency Alliance dues	75	-	-	75	172
General assembly and other conference revenues	2,480	-	-	2,480	3,608
Missions	2,353	-	-	2,353	2,469
Program revenues	2,888	-	-	2,888	3,052
Investment income - net (Note 4)	226	3,176	-	3,402	5,957
Gain on sale of apartments - net	28	-	-	28	642
Rental income (Note 6)	361	-	-	361	381
Other revenues	2,990	-	-	2,990	3,644
Net assets released from restrictions (Note 11)	48,452	(48,452)	-	-	-
Total Operating Revenues, Gains and Other Support Before Amounts Received for Distribution to Others	269,263	2,498	1,689	273,450	285,981
Less: Amounts received for distribution to others (Note 2)	-	(7,223)	-	(7,223)	(10,378)
Total Operating Revenues, Gains and Other Support	269,263	(4,725)	1,689	266,227	275,603
Expenses					
Program services:					
United Israel Appeal, Inc. program services in Israel	171,237	-	-	171,237	180,458
Missions	3,165	-	-	3,165	3,669
JDC and other programs	84,987	-	-	84,987	91,760
Total Program Services	259,389	-	-	259,389	275,887
Supporting services:					
Management and general	9,714	-	-	9,714	9,498
Fundraising	2,078	-	-	2,078	1,993
Total Supporting Services	11,792	-	-	11,792	11,491
Total Expenses	271,181	-	-	271,181	287,378
Change in Net Assets from Operations	(1,918)	(4,725)	1,689	(4,954)	(11,775)
Other Changes in Net Assets					
Adjustment to minimum pension liabilities (Note 9)	4,151	-	-	4,151	7,374
Change in Net Assets	2,233	(4,725)	1,689	(803)	(4,401)
Net Assets, beginning of year	118,810	142,726	27,354	288,890	293,291
Net Assets, end of year	\$ 121,043	\$ 138,001	\$ 29,043	\$ 288,087	\$ 288,890

See accompanying notes to the consolidated financial statements.

The Jewish Federations of North America, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
(with summarized comparative totals for 2017)
(in thousands)

Year ended June 30,

	Program Services			Supporting Services		Total		
	United Israel Appeal, Inc. Program Services in Israel	Missions	JDC and Other Programs	Total	Management and General	Fundraising	2018	2017
Allocations:								
Israel and overseas	\$ 155,669	\$ -	\$ 41,153	\$ 196,822	\$ -	\$ -	\$ 196,822	\$ 214,790
Israel emergency campaign	1,800	-	272	2,072	-	-	2,072	6,523
National alliance agencies and others	-	-	1,922	1,922	-	-	1,922	3,671
Birthright Israel	-	-	5,888	5,888	-	-	5,888	5,402
U.S. Government grant	6,748	-	2,221	8,969	-	-	8,969	6,524
Real estate-related activities	401	-	-	401	-	-	401	1,014
	164,618	-	51,456	216,074	-	-	216,074	237,924
Payroll and benefits	-	632	15,015	15,647	6,318	1,823	23,788	23,666
Missions	-	2,159	1,370	3,529	64	2	3,595	3,133
Meetings and conferences	-	1	2,960	2,961	346	22	3,329	4,178
Travel	-	16	810	826	166	117	1,109	1,024
Promotional and media	-	4	606	610	10	30	650	693
Occupancy and other related costs (Note 10)	-	18	2,984	3,002	944	41	3,987	3,945
Interest	399	-	-	399	17	-	416	503
Professional and other services	-	20	7,595	7,615	947	19	8,581	8,762
Communication and postage	-	11	122	133	187	16	336	412
Supplies, stationery and subscriptions	-	53	543	596	359	5	960	818
Grants to organizations	-	-	8,919	8,919	-	-	8,919	3,923
Other	-	115	110	225	163	2	390	406
Total Expenses, before depreciation and amortization, including amounts distributed to others	165,017	3,029	92,490	260,536	9,521	2,077	272,134	289,387
Depreciation and Amortization	6,220	136	307	6,663	193	1	6,857	7,064
Less: amounts distributed to others (Note 2)	-	-	(7,810)	(7,810)	-	-	(7,810)	(9,073)
Total Expenses	\$ 171,237	\$ 3,165	\$ 84,987	\$ 259,389	\$ 9,714	\$ 2,078	\$ 271,181	\$ 287,378

See accompanying notes to the consolidated financial statements.

The Jewish Federations of North America, Inc. and Subsidiaries

Consolidated Statement of Cash Flows (with summarized comparative totals for 2017) (in thousands)

<i>Year ended June 30,</i>	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (803)	\$ (4,401)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,857	7,064
Gain on sale of apartments - net	(28)	(642)
Realized gain on investments, net	(2,516)	(4,308)
Unrealized gain on investments	(298)	(2,935)
Endowment fund	(1,689)	-
Adjustment to minimum pension liabilities	(4,151)	(7,374)
(Increase) decrease in assets:		
Campaign allocations and annual assessments receivable	9,209	7,884
U.S. Government grant receivable	519	2,831
Contributions receivable - primarily for capital projects in Israel	1,262	404
Advances, other receivables and other assets	(1,220)	131
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(327)	(3,177)
Other payables	124	(4)
Deferred revenue	857	(206)
Deferred rent	(111)	(111)
Obligations due under split interest agreements	(159)	(570)
Accrued pension benefit cost	132	574
Accrued postretirement benefits other than pensions	(754)	(606)
Amounts held for others	(909)	999
Net Cash Provided by (Used in) Operating Activities	5,995	(4,447)
Cash Flows from Investing Activities		
Proceeds from sale of investments	13,091	25,991
Purchase of investments	(10,339)	(23,391)
Fixed asset acquisitions	(190)	(203)
Additions to advances for acquisitions of capital projects in Israel	(263)	(462)
Transfers for construction of capital projects in Israel	708	-
Proceeds from sale of apartments (net of selling expenses)	28	642
Net Cash Provided by Investing Activities	3,035	2,577
Cash Flows from Financing Activities		
Principal payments on loans	(5,000)	(5,000)
Endowment fund	1,689	-
Net Cash Used by Financing Activities	(3,311)	(5,000)
Net Increase (Decrease) in Cash and Cash Equivalents	5,719	(6,870)
Cash and Cash Equivalents, beginning of year	19,126	25,996
Cash and Cash Equivalents, end of year	\$ 24,845	\$ 19,126
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 416	\$ 504

See accompanying notes to the consolidated financial statements.

The Jewish Federations of North America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

1. Description of Organization

The Jewish Federations of North America, Inc. (the Organization) is the national organization for 147 Jewish federations and over 300 independent Jewish communities across North America. The Organization provides fundraising support, organizational assistance, training, and overall leadership to the Jewish federations and communities throughout the United States and Canada.

The accompanying consolidated financial statements incorporate the activities of The Jewish Federations of North America, Inc. and its subsidiaries: United Israel Appeal, Inc. (UIA) and Jewish Federation Bond Pool, LLC (JFBP, LLC), collectively JFNA. Nineteen members of the Board of Trustees of the Organization are on the Board of Directors of UIA.

Each of the Jewish federations and communities conducts an ongoing annual campaign and, from time to time, special campaigns in furtherance of their missions, and allocates to JFNA that portion of the campaigns intended for overseas needs. The programs funded by these overseas allocations are primarily conducted by the Jewish Agency for Israel (The Jewish Agency) and the American Jewish Joint Distribution Committee (JDC). Other significant sources of revenues include fair share dues paid by Member Federations towards JFNA's operating budget, U.S. Government grants and contributions from the general public.

JFNA, by partnering with communities, helps maximize financial resources to meet the global human service needs of the Jewish people. This includes oversight of humanitarian programs overseas, community building, leadership training and social justice.

The principal function of UIA is to administer and supervise the funds allocated to The Jewish Agency, its operating agent, principally related to the immigration and absorption of humanitarian migrants who immigrate to Israel, social welfare services, health services, education, youth care and training, and housing facilities. Allocations of funds are made only for programs acceptable under the Internal Revenue Service (IRS) guidelines for charitable organizations.

JFBP, LLC facilitates the issuance of tax-exempt bonds by federations and their affiliates and is a disregarded entity for tax purposes. JFNA is the sole member.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applicable to not-for-profit organizations. In the consolidated statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Basis of Consolidation

All material intercompany transactions and balances have been eliminated in consolidation.

The Jewish Federations of North America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets—permanently restricted, temporarily restricted and unrestricted—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted - Permanently restricted net assets are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income from such investments be utilized, subject to limitations. If such income has not been specifically restricted by the donor, then it is available for unrestricted use as appropriated.

Temporarily Restricted - Temporarily restricted net assets may be utilized only in accordance with the purpose or time restrictions established by the donor of such funds. Donor-imposed restrictions can be met either by action of JFNA or by the passage of time.

Unrestricted - Unrestricted net assets, which include designated and undesignated amounts, are used to account for all expendable resources over which the Board of Trustees has discretionary control. These amounts are not subject to donor-imposed stipulations.

Cash and Cash Equivalents

JFNA considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents. Cash and cash equivalents held by brokers for long-term investment are classified as investments.

Campaign Allocations from Communities and Annual Assessments

JFNA's revenues principally consist of federations' allocations from their annual campaigns. Annual assessments relate to federations' participation in funding certain programs. JFNA records such revenues and related receivables when amounts are reported to JFNA or when federations' allocations are reasonably determinable.

JFNA determines whether an allowance for uncollectibles should be provided. Such estimates are based on management's assessments of its receivables, current economic conditions, subsequent collections and historical information. Receivables are written off when all reasonable collection efforts have been exhausted.

U.S. Government Grants Receivable

U.S. Government grants receivable represents amounts due from the U.S. Government to fund and/or enhance various programs. JFNA has determined that no allowance for uncollectible accounts for U.S. Government grants receivable was necessary as of June 30, 2018. Such estimates are based on the aged basis of the receivables and subsequent collections.

The Jewish Federations of North America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

Contributions Receivable

Unconditional promises to give are recorded as receivables and revenues and are recognized when the promises are made, at their fair value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the year in which the promises are received. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The doubtfulness of such promises is reviewed, and allowances are provided for amounts estimated to be doubtful.

Advances, Other Receivables and Other Assets

Advances, other receivables and other assets principally include receivables due from landlords, prepaid expenses, deferred costs and other receivables. JFNA records receivables when billed based on established rates or contracts for services provided. Reserves are established based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Interest is not recorded or accrued on outstanding receivables.

Investments

Accounting Standards Codification (ASC) 820, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. JFNA classifies fair value balances based on the fair value hierarchy defined by ASC 820, as follows:

Level 1 - Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy table.

The Jewish Federations of North America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

Capital Projects in Israel

Capital projects in Israel are stated at cost. Depreciation is provided on capital projects in Israel on the straight-line basis over the estimated useful life of the respective assets, which is 25 years (see Note 6).

Fixed Assets

Fixed assets, net are stated at cost less accumulated depreciation and amortization. The cost of major improvements and betterments to existing fixed assets are capitalized, while maintenance and repairs are charged to expense when incurred. Upon retirement or other disposal of fixed assets, the realized gain or loss sustained on such transaction is reflected in other income or expenses. Depreciation of fixed assets is calculated on the straight-line basis over the estimated useful lives of the assets.

	Years
Data processing equipment	3
Furniture and fixtures	7
Automobiles	3
Software costs	5-7
Leasehold improvements	Lesser of lease term or useful life

Impairment of Long-Lived Assets

ASC 360, "Property, Plant and Equipment," requires JFNA to review long-lived assets, such as fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the year ended June 30, 2018, there were no impairment charges.

Amounts Held/Distributed for Others

In accordance with GAAP, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others," transfers of assets in which the reporting entity acts as an agent, trustee, or intermediary, rather than as a donee should not be accounted for as contributions received but rather as amounts held and received for others. In these consolidated financial statements, amounts held for others represent assets held on behalf of other agencies, principally Birthright Israel, National Alliance Agencies and Charitable Gift Annuities. Amounts received for distribution to others and amounts distributed to others included in the consolidated statements of activities and functional expenses principally represent amounts distributed to the national agencies noted above.

The Jewish Federations of North America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

Split-Interest Agreements

JFNA holds assets under split-interest agreements consisting of charitable remainder trusts and charitable gift annuities for which JFNA serves as the trustee. Such agreements provide for payments to the donors or their stipulated beneficiaries of either income earned on related investments or specified annuity amounts. Assets held under these agreements are reported as investments on the consolidated statement of financial position. A portion of the contributed assets is considered to be a charitable contribution for income tax purposes and has been recognized as a contribution at the date of gift. When the terms of the gift instrument have been met, the remaining amount of the gift may be used for general or specific purposes, as stipulated by the respective donor.

Under JFNA's charitable remainder trusts and charitable gift annuities programs where JFNA is the trustee, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or beneficiaries, as long as they live, after which time the remaining assets, if any, are available for the unrestricted use of JFNA, unless otherwise stipulated by the donor. Upon termination of a life interest, the share of the corpus attributable to the life tenant becomes available to JFNA.

Contributions

Unconditional contributions, including promises to give, cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

U.S. Government Grants

Revenues from the government grants are recognized when earned. Expense-based grants are recognized as allowable expenses are incurred. Revenues from government agencies are subject to audit by the agencies. No provision for any disallowance is reflected in the consolidated financial statements since management does not anticipate any material adjustments. Allocations with respect to the U.S. Government grants are recorded on the accrual basis and are included in accounts payable and accrued expenses on the consolidated statement of financial position.

Operating Revenues, Gains and Other Support

JFNA considers all contributions and amounts received as allocations from federations as available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are to be used for a specific purpose or after the passage of a specified time. Funds are released from restriction when either one or both has been satisfied. The satisfaction of donor-imposed restrictions is reported as a release of net assets.

Gains and losses on investments and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless their use is restricted by donor stipulation or by law.

Foreign Currency Translation

The Jewish Federations of North America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

Foreign currency is translated in accordance with ASC 830, "Foreign Currency Matters." Under the provisions of ASC 830, the local currency used in the Organization's foreign operations is considered to be the functional currency of these operations. Assets and liabilities denominated in New Israeli Shekels (NIS), are translated to U.S. Dollars (USD) using the exchange rate in effect at the date of the consolidated statement of financial position. Revenues, expenses, gains and losses are translated using the average exchange rate for the year. Gains or losses on foreign currency translation are recognized in the accompanying consolidated financial statements. The foreign currency exchange rate utilized within the consolidated statement of financial position at June 30, 2018 was USD 1.00/3.40 NIS. The average rate utilized to translate revenue, expenses, gains and losses relating to the year ended June 30, 2018 was USD 1.00/3.62 NIS.

The cumulative translation gain is included in unrestricted net assets. Gain of foreign currency translation for the year ended June 30, 2018 amounted to \$8.

Functional Allocation of Expenses

The costs of providing JFNA's program and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited based on number of employees.

Performance Indicator

The consolidated financial statements of JFNA include results of operations as the performance indicator. Excluded from the performance indicator is the adjustment to minimum pension liabilities.

Use of Estimates

In preparing consolidated financial statements in conformity with GAAP, management is required to make estimates and judgments that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization and UIA were incorporated in the State of New York and are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, have made no provision for income taxes in the accompanying consolidated financial statements. The Organization and UIA have been determined by the IRS not be "private foundations" within the meaning of Section 509(a) of the IRC.

Under ASC 740, "Income Taxes," an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on JFNA's consolidated financial statements. The Organization and UIA do not believe they have taken any material uncertain tax positions and, accordingly, they have not recorded any liability for unrecognized tax benefits. The Organization and UIA have filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, the Organization and UIA have filed IRS Form 990 information returns, as required, and all other applicable returns in

The Jewish Federations of North America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

jurisdictions where so required. For the year ended June 30, 2018, there were no interest or penalties recorded or included in the consolidated statement of activities.

Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information. With respect to the consolidated statement of functional expenses, the prior-year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with JFNA's consolidated financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain prior year amounts were reclassified to conform to the current year financial statement presentation.

Recently Issued Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for JFNA until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Accounting for Leases," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions";

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Notes to Consolidated Financial Statements (in thousands)

(b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for JFNA's consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented, although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

3. Contributions Receivable - Primarily for Capital Projects in Israel, Net

Contributions receivable have been recorded at present value. Those receivables that are due in more than one year have been discounted to their present value using an average discount rate of 1.86% at June 30, 2018. Contributions receivable consist of the following:

June 30, 2018

Under 1 year	\$	379
1-5 years		27
		406
Less: discount to present value		(1)
		405
Less: allowance for doubtful accounts		(22)
	\$	383

4. Investments

JFNA's assets recorded at fair value have been categorized based upon a fair value hierarchy, in accordance with ASC 820. See Note 2 for the discussion of JFNA's policies regarding this hierarchy.

A description of the valuation techniques applied to JFNA's major categories of assets measured at fair value are as follows. There have been no changes in valuation methodology as of June 30, 2018.

Equities, U.S. Treasury Bonds - These are valued at the closing price reported on the active market on which the individual securities are traded. These investments are classified as Level 1.

Mutual Funds - These are valued on a daily basis at the close of business day. Each mutual fund's NAV is the value of a single share which is actively traded on national securities exchanges. These investments are classified as Level 1.

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Notes to Consolidated Financial Statements (in thousands)

State of Israel Bonds - These are valued based on yields currently available on comparable securities of issuers with similar credit ratings. These investments are classified as Level 2.

Closed-end Funds - These are valued on a daily basis at the close of business day. These funds generally issue a fixed number of shares that are listed on a stock exchange or trade in the over-the-counter market. The assets of a closed-end fund are professionally managed in accordance with the fund's investment objectives and policies, and may be invested in stocks, bonds, and other assets. These investments are classified as level 2.

Alternative investments are those made in limited partnerships, government money market funds, commingled funds and hedge funds, all of which are valued based on the NAV of the interest owned by JFNA at year-end. Given the absence of market quotations, their fair value is estimated using information provided to JFNA by the investment advisor, New England Pension Consultants (NEPC). The values are based on estimates that require varying degrees of judgment and, for fund of funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds. Individual investment holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly traded securities, and other investment vehicles. The investments may indirectly expose JFNA to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments entail varying degrees of risk, JFNA's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment plus JFNA's commitment to provide additional funding as described in the following paragraph. The financial statements of the investees are audited annually by nationally recognized firms of independent auditors. JFNA does not directly invest in the underlying securities of the investment funds and, due to restrictions on transferability and timing of withdrawals from the limited partnerships, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

Certain alternative investments, which include limited partnership investments, have rolling lockups ranging from quarterly to one year, with a redemption notice period of up to 90 days.

Investments are made under the authority and oversight of an Investment Committee in consultation with an outside consultant. Together, they have established investment guidelines and developed a diversified asset allocation structure, which includes high-cap equities, low-cap equities, international equities, fixed-income securities, and alternative investments. JFNA engages individual managers who specialize in each asset category, and each manager is monitored for compliance with guidelines, and performance is evaluated against appropriate benchmarks.

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Notes to Consolidated Financial Statements (in thousands)

The following table sets forth by level, within the fair value hierarchy, the financial assets at fair value as of June 30, 2018.

June 30, 2018

	Level 1	Level 2	Level 3	Total
Assets				
Equities:				
Consumer discretionary	\$ 236	\$ -	\$ -	236
Consumer staples	130	-	-	130
Financial	207	-	-	207
Energy	88	-	-	88
Health care	396	-	-	396
Industrial	679	-	-	679
Information technology	604	-	-	604
Materials	164	-	-	164
Others	86	-	-	86
U.S. Treasury bonds	111	-	-	111
Mutual funds:				
Equities	25,479	-	-	25,479
Fixed income	11,420	-	-	11,420
State of Israel bonds	-	698	-	698
Closed-end fund	-	2,534	-	2,534
Total Investments, in the fair market value hierarchy	\$ 39,600	\$ 3,232	\$ -	42,832
Investments measured at NAV*:				
Government money market fund			\$	612
Commingled fund				5,135
Hedge funds				8,063
Limited partnerships				7,996
Total Investments			\$	64,638

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

There were no transfers between levels for the year ended June 30, 2018.

JFNA uses, as a practical expedient for fair value, a reported NAV per share or its equivalent for purposes of valuing certain alternative investments within its investment portfolio as of June 30, 2018, as detailed below.

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The following table sets forth a summary of the investments held by JFNA reported at NAV as of June 30, 2018:

June 30, 2018

	Fair Value	Redemption Frequency	Redemption Notice Period
Money market fund:			
PNC Government Money Market Fund (a) \$	612	Daily	None
Commingled fund:			
Wellington Trust Company, N.A. CIF Research Equity Portfolio (b)	5,135	Monthly	See note (b)
Hedge funds:			
Sanderson International Value Fund (c)	6,168	Monthly	See note (c)
Jana Offshore Partners Limited Class A Non-Restricted Series 01/2002 (d)	1,895	Quarterly	60 days
Limited partnerships:			
Davidson Kempner Institutional Partners, LP (e)	3,568	Quarterly	65 days
Elliott International Limited Class A (f)	4,428	Quarterly	See note (f)
Total	\$ 21,806		

(a) The principal investment objective of the money market fund is to maintain a NAV of \$1 per share.

(b) The fund's investment objective is long-term return in excess of the S&P 500 Index. The redemption notice period is the 22nd calendar business day of the prior month.

(c) The fund's investment objective is to achieve long-term growth principally by investing in a diversified portfolio of equity securities of companies ordinarily located in any country other than the United States and Canada. The redemption notice is ten business days prior to month end and funds are paid out on the fifth business day.

(d) The fund invests in two main types of strategies on the long side: activist, or value equity, and corporate distressed. On the short side, the fund's portfolio is invested across both alpha shorts and hedges. The fund invests primarily in the United States, Europe and Canada.

(e) The partnership is a multi-strategy fund with an event-driven focus, seeking to exploit situations in which announced or anticipated events create opportunities to invest in securities and other financial instruments at a discount to their existing values.

(f) Elliott International LP is a limited partnership whose principal objective is to generate a high return with a goal of minimizing losses during adverse financial market periods. The limited partnership employs a multi-strategy trading approach that encompasses a broad range of strategies. The redemption notice period is 60 days after a required two-year holding period.

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Notes to Consolidated Financial Statements (in thousands)

Total investment income was comprised of the following:

Unrealized gains	\$	2,203
Interest and dividend Income		1,045
Realized gains		260
Fees		(106)
Unrealized Gains	\$	3,402

5. Split-Interest Agreements

JFNA is the beneficiary or agent for a third-party beneficiary of a number of split-interest agreements with donors. Certain agreements provide that JFNA hold the contributed assets as trustee (e.g., charitable remainder trusts), while other agreements are part of the general assets of JFNA (e.g., charitable gift annuities). Under both forms of agreement, JFNA invests the donated assets and distributes to the donor or donor's designee income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or donor's designee). JFNA will be able to utilize that part of the gift in which it has an interest upon the death of the respective life income beneficiary and will distribute to any third-party beneficiaries their respective remainder interests.

At the time of the gift, and adjusted annually, JFNA records contribution income and a liability for amounts payable to annuitants and third-party beneficiaries using an actuarial calculation based on estimated mortality rates and other assumptions that could change in the near term. The discount rates used in the calculation of obligations due to annuitants under split-interest agreements at June 30, 2018 ranged from 1.2% to 6.22%, respectively. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

The fair value of the investments under these agreements totaled \$3,930 at June 30, 2018 and are included in investments in the consolidated statement of financial position. At June 30, 2018, annuities payable were \$2,771.

At June 30, 2018, assets held for split-interest agreements are as follows:

June 30, 2018

Charitable gift annuities	\$	3,515
Charitable remainder trusts		415
	\$	3,930

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Notes to Consolidated Financial Statements (in thousands)

As of June 30, 2018, JFNA's investments held under split-interest agreements, by level within the fair value hierarchy, consist of the following:

June 30, 2018

	Level 1	Level 2	Level 3	Total
Equities	\$ 1,462	\$ -	\$ -	1,462
Mutual funds:				
Fixed Income	2,138	-	-	2,138
U.S Treasury Bonds	110	-	-	110
Total Investment Assets , in the fair value hierarchy	\$ 3,710	\$ -	\$ -	3,710
Investments measured at NAV*:				
Government money market fund				220
Total Investments			\$	3,930

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts inserted in this table are intended to present reconciliation of the fair value hierarchy table to the amounts presented in the consolidated statement of financial position.

6. Capital Projects in Israel

Capital projects consist principally of housing projects and other buildings, such as pre-schools, day care centers, sports halls, and colleges, in which educational and social services are provided. The majority of such projects are held under long-term renewable leases from the Israel Land Administration, a governmental organization, which restricts use of such projects for their current purpose. Housing is provided at rentals that are below market rates. For the year ended June 30, 2018, these rentals were \$361. The housing-related costs are included in allocations to The Jewish Agency; therefore, JFNA does not realize substantial income from such housing.

Advances for acquisition of capital projects in Israel relate to construction-in-progress. The Jewish Agency manages the construction and acquisition of capital projects on behalf of JFNA. Amounts transferred from advances to completed projects in the year ended June 30, 2018 totaled \$206. The balance of advances for acquisition of capital projects in Israel amounted to \$369 as of June 30, 2018.

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The capital projects are reflected as follows:

June 30, 2018

	Useful Life	Cost	Accumulated Depreciation	Balance
General Fund (including apartments- see below)	25 years	\$ 138,703	\$ (138,703)	-
Project Renewal Fund	25 years	92,268	(90,559)	1,709
Israel Education Fund	25 years	226,832	(173,417)	53,415
U.S. Government Grant Fund		24,309	(24,309)	-
Advances for acquisition of capital projects in Israel		369	-	369
		\$ 482,481	\$ (426,988)	\$ 55,493

The aggregate depreciation expense charged to program services in Israel, which is included in real estate-related activities, was \$6,220 during the year ended June 30, 2018.

7. Fixed Assets, Net

Fixed assets, net are as follows:

June 30, 2018

Data processing equipment	\$ 1,416
Furniture and fixtures	1,099
Automobiles	6
Software costs	1,145
Leasehold improvements	6,931
	10,597
Less: accumulated depreciation and amortization	(6,093)
	\$ 4,504

Equipment costing \$398 and associated accumulated amortization of \$33 are subject to capital lease agreements, as described in Note 10.

Depreciation and amortization expense was \$637 for the year ended June 30, 2018.

8. Loan Payable

On September 11, 2014, UIA entered into an unsecured loan agreement in the amount of \$34,300 with the Jewish Agency, the proceeds of which were used to repay an existing loan and swap agreement with Bank of America. In fiscal 2015, UIA repaid \$392. The balance of the loan is payable in six annual installments of \$5,000 each beginning in fiscal year 2016 with an additional payment of \$3,908 due in fiscal year 2022. The loan bears interest at the rate of 1.86%.

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The maturities of the loan are as follows:

Year ending June 30,

2019	\$	5,000
2020		5,000
2021		5,000
2022		3,908
	\$	18,908

9. Retirement Plans

JFNA has a trustee noncontributory defined benefit retirement plan covering substantially all employees. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The plan is financed by employer contributions, actuarially determined to be sufficient to meet the requirements of the plan and ERISA.

JFNA provided a non-qualified Benefit Restoration Plan (BRP) for certain individuals whose salaries were above the IRS limit for pensions. Participation in the plan required approval by JFNA's Compensation Committee. The benefit has its own caps and is intended to make up pension benefits over IRS compensation limits.

The defined benefit retirement plan and BRP plans were frozen, effective June 30, 2013. This resulted in a reduction in the benefit obligation of \$3,488. Beginning July 1, 2013, a new defined contribution pension plan was created for new and current employees. The terms of the new plan offer the following: a) a 50% match of an employee's own contribution to the plan, up to a maximum match by JFNA of 3% of eligible gross salary, and b) an employer-directed contribution of 2% of eligible gross salary, regardless of how much or whether an employee contributes to the plan. Expenses for the year were \$619.

Effective August 1, 2017, the Plan was amended to provide a lump-sum benefit option for all terminating and retiring participants.

For former UJA Federation New York (UJA) employees, there is a grandfathered Medigap program commencing at the employee's age of 65. Former UJA employees with a minimum of ten years of service on December 31, 1999 are 100% vested and eligible to participate in the Medigap program. Those with less than ten years of service at UJA are vested at the rate of 10% for each completed year of service, up to December 31, 1999, provided that they served a minimum of ten years with the organization, including years served at JFNA.

The Jewish Federations of North America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

The following sets forth the funded status and amounts recognized in JFNA's consolidated financial statements as of and for the year ended June 30, 2018:

June 30, 2018

	Retirement Plan	Postretirement Medicare Supplement Plan
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 54,385	\$ 6,814
Service cost	64	-
Interest cost	1,979	254
Changes in assumptions - discount rate and mortality projection	(2,385)	(334)
Change in plan provisions - lump sum provisions	10	-
Benefits paid	(4,862)	(260)
Actuarial loss	(182)	(414)
Projected Benefit Obligation, at end of year	\$ 49,009	\$ 6,060
Change in plan assets:		
Fair value of assets at beginning of year	38,077	-
Gain on plan assets (net of expenses)	2,249	-
Contributions	1,256	260
Benefits paid	(4,862)	(260)
Fair Value of Plan Assets, at end of year	\$ *36,720	\$ -
Funded status	\$ (12,289)	\$ (6,060)

June 30, 2018

Components of net periodic cost:		
Service cost	\$ 64	\$ -
Interest cost	1,979	254
Expected return on assets	(2,424)	-
Amortization of gain/loss during prior years	690	(94)
Net Periodic Cost	\$ 309	\$ 160
Adjustment to minimum pension liabilities	\$ 3,396	\$ 755

* Represents total investments of \$36,776, accrued interest receivable of \$8, less accrued expenses of \$64.

The expected pension contribution for the year ended June 30, 2018 is \$1,156.

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Notes to Consolidated Financial Statements (in thousands)

The expected benefit payments are as follows:

June 30,

	Retirement Plan	Postretirement Medicare Supplement Plan
2019	\$ 2,900	\$ 310
2020	3,001	316
2021	3,031	318
2022	3,043	321
2023	3,161	332
2024-2028	15,757	1,769
Measurement date	June 30	June 30
Weighted average assumptions:		
Discount rate - beginning of year	3.74%	3.81%
Discount rate - end of year	4.09%	4.13%
Expected return on plan assets	6.50%	N/A
Rate of compensation increase	2.50%	N/A

For measurement purposes, a 4.75% annual rate of increase in the per capita cost of covered health care benefits was assumed.

The new RP-2014 Mortality Table for employees and healthy annuitants projected generationally with scale MP-2017 was used for year-end disclosure purposes.

The health care cost trend rate assumption has a significant effect on the amounts reported. Increasing or decreasing the assumed health care cost trend rate by one percentage point would have the following effect:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	\$ 39	\$ (32)
Effect on postretirement benefit obligation	804	(669)

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Notes to Consolidated Financial Statements (in thousands)

The fair value of JFNA's retirement plan assets at June 30, 2018 is as follows:

	Assets at Fair Value as of June 30, 2018			Total
	Level 1	Level 2	Level 3	
Investments at fair value:				
Common stocks	\$ 3,683	\$ -	\$ -	3,683
Mutual funds	22,109	-	-	22,109
Total Investments, at fair value	\$ 25,792	\$ -	\$ -	25,792
Investments measured at NAV*:				
Commingled funds			\$ 7,142	7,142
Hedge fund				1,273
Limited partnership				2,569
Total Fair Value Investments			\$ 36,776	36,776

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts inserted in this table are intended to present reconciliation of the fair value hierarchy table to the amounts presented in the consolidated statement of financial position.

The Organization had no financial assets that were measured at fair value on a non-recurring basis during the year ended June 30, 2018. There were no transfers between levels for the year ended June 30, 2018.

The following table sets forth a summary of JFNA's investments with a reported NAV at June 30, 2018:

June 30, 2018

	NAV in Funds	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Commingled funds (a)	\$ 7,142	\$ -	See Note (a)	See Note (a)
Hedge fund (b)	1,273	-	See Note (b)	See Note (b)
Limited partnership (c)	2,569	-	See Note (c)	See Note (c)
Total	\$ 10,984	\$ -		

(a) The commingled funds consist of the following:

Wellington Research Equity II, whose principal investment objective is long-term return in excess of the S&P 500 Index. The fund invests primarily in locally listed common stock, depositary receipts, and real estate securities. The redemption frequency is monthly, and the redemption notice period is the 22nd calendar business day of the prior month.

Sanderson International Value, whose principal investment objective is to provide a less volatile real return, relative to the market. The fund invests primarily in international equities and emphasizes free cash flow and cash flow yield. The redemption frequency is the first business day of each month and the redemption notice period is ten business days prior to month-end.

(b) There is one hedge fund, Jana Offshore Partners Limited Class A, that invests in two main types of strategies on the long side: activist, or value equity, and corporate distressed. On the short side, the fund's portfolio is invested across both alpha shorts and hedges. The fund invests primarily in the US, Europe and Canada. The redemption frequency is quarterly, and the redemption notice period is 60 days.

(c) There is one limited partnership, Elliott International LP, whose principal objective is to generate a high return with a goal of minimizing losses during adverse financial market periods. The limited partnership employs a multi-strategy

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trading approach that encompasses a broad range of strategies. The redemption frequency is quarterly, and the redemption notice period is 60 days after a required two-year holding period.

JFNA maintains a 457 (b) deferred compensation plan limited to a select group of management. JFNA will make non-elective contributions to the plan up to the maximum amount permitted by IRC section 457(b)(2). As of June 30, 2018, the benefit liability and related asset was \$71 and is included in other payables and advances, other receivables, and other assets in the consolidated statement of financial position.

10. Commitments and Contingencies

In October 2008, JFNA entered into a lease for office premises for a twenty-year period, expiring in October 2028 with an option to extend, as defined, for another five-year period. The lease provides for construction and rent allowances. The construction allowance was credited to leasehold improvements and the rent allowance is being amortized over the lease period on the straight-line basis, in accordance with GAAP.

JFNA rents office space under lease agreements with various expiration dates through 2028. At June 30, 2018, the future minimum total payments required under noncancelable leases were as follows:

Year ending June 30,

2019	\$	2,814
2020		3,025
2021		3,049
2022		2,844
2023		2,844
Thereafter		20,079
Total Future Minimum Lease Payments		\$ 34,655

Rent expense for the year ended June 30, 2018 amounted to \$3,254, net of subtenants' rent of \$55.

In 2015, JFNA entered into various capital lease arrangements for the use of a data processing system with a cost of \$398 and interest rate of 5%. The balance outstanding at June 30, 2018 was \$310, which is included in other payables on the consolidated statement of financial position.

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Future minimum lease payments are as follows:

Year ending June 30,

2019	\$	132
2020		99
2021		49
2022		30
2023		12
		322
Less: amount representing interest		(12)
Present Value of Net Minimum Lease Payments	\$	310

JFNA at various times is a party to litigation and other claims in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a significant effect on JFNA's consolidated financial position.

11. Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

June 30, 2018

Fair share allocations for fiscal year 2019	\$	30,278
Property, equipment and capital projects		55,493
Israel Emergency Campaigns		9,964
Israel Education Fund		439
Other overseas programs		16,935
Other domestic programs		24,892
	\$	138,001

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the following temporarily restricted purposes:

Year ended June 30,

Fair share allocations for fiscal year 2018	\$	30,290
Property, equipment and capital projects		6,928
Israel Emergency Campaigns		1,800
Israel Education Fund		5,799
Other overseas programs		1,843
Other domestic programs		1,792
	\$	48,452

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Endowment Funds

General

JFNA has donor-restricted endowment funds established to help fund various projects in Israel. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of JFNA has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the “historic dollar value” standard and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. JFNA is now governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years’ balance. As a result of this interpretation, JFNA 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. 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 organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

JFNA has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various programs while seeking to maintain the purchasing power of the endowment assets. The endowment funds are invested in vehicles such as government and equity securities, as well as alternative investments.

JFNA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the funds
- the purposes of JFNA and the donor-restricted endowment funds
- general economic conditions
- the possible effect of inflation and deflation
- the expected total return from income and the appreciation/depreciation of investments
- other resources of JFNA
- the investment policy of JFNA

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Endowment Net Asset Composition by Type of Fund as of June 30, 2018

The endowment net asset composition of \$29,043 consists of forty-four permanently donor-restricted funds primarily used to support Israel projects. As of June 30, 2018, all assets included in JFNA's endowment fund are as follows:

June 30, 2018

	Level 1	Level 2	Level 3	Total
Equities:				
Consumer discretionary	\$ 106	\$ -	\$ -	106
Consumer staples	59	-	-	59
Energy	39	-	-	39
Financial	93	-	-	93
Healthcare	178	-	-	178
Industrial	305	-	-	305
Information technology	272	-	-	272
Materials	73	-	-	73
Others	39	-	-	39
U.S. Treasury bond	49	-	-	49
Mutual funds:				
Equities	11,449	-	-	11,449
Fixed income	5,131	-	-	5,131
State of Israel bonds	-	314	-	314
Closed-end fund	-	1,138	-	1,138
Total Investments, in the fair market value hierarchy	\$ 17,793	\$ 1,452	\$ -	19,245
Investments measured at NAV*:				
Money market funds			\$	275
Hedge funds				3,623
Limited partnerships				3,593
Commingled fund				2,307
Total Investments			\$	29,043

* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

Changes in Endowment Net Assets for the Year Ended June 30, 2018

June 30, 2018

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 27,354	\$ 27,354
Contributions	-	1,689	1,689
Interest and dividend income	646	-	646
Appropriation of endowment assets for expenditure	(646)	-	(646)
Endowment Net Assets, end of year	\$ -	\$ 29,043	\$ 29,043

The Jewish Federations of North America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (in thousands)

12. Related Organizations

- (i) UIA is the primary shareholder of a public-benefit corporation in Israel. As such, it has the authority to select certain Board members when there are vacancies or when the Board members' terms expire. UIA does not control the operations or have any rights to its assets. In the event of dissolution, the net assets would revert to another named not-for-profit entity(ies) in Israel. Accordingly, the assets and liabilities and activities of the organization have not been consolidated in the accompanying consolidated financial statements.
- (ii) JFNA and the Jewish Agency have common board members and UIA has the power to appoint 36 members to the Jewish Agency's board, however this does not meet the criteria for control. JFNA funds various programs that are administered by the Jewish Agency.

13. Concentration of Risk

The financial instruments that potentially subject JFNA to concentration of credit risk consist primarily of cash and cash equivalents. At various times, JFNA has cash deposits at financial institutions that exceed the Federal Deposit Insurance Corporation (FDIC) limit. These financial institutions have strong credit ratings; therefore, management believes the risk related to these accounts is minimal.

14. Subsequent Events

JFNA's management has performed subsequent events procedures through December 14, 2018, which is the date the consolidated financial statements were available to be issued, and there were no subsequent events requiring adjustment to the consolidated financial statements or disclosures as stated herein.

Supplementary Information

The Jewish Federations of North America, Inc. and Subsidiaries

Consolidating Schedule of Financial Position (in thousands)

June 30, 2018

	The Jewish Federations of North America, Inc. and Subsidiary		UIA	Eliminations		Total		
Assets								
Current								
Cash and cash equivalents	\$	24,652	\$	193	\$	-	\$	24,845
Allocations and annual assessments receivable (net of allowance for uncollectibles of \$9,647)		190,179		123,676		(123,676)		190,179
U.S. Government grants receivable		745		-		-		745
Contributions receivable, primarily for capital projects in Israel, net		-		379		-		379
Advances, other receivables and other assets, current		7,441		253		(34)		7,660
Investments at fair value, current		31,665		-		-		31,665
Total Current Assets		254,682		124,501		(123,710)		255,473
Contributions Receivable, primarily for capital projects in Israel - net, less current portion		-		4		-		4
Advances, Other Receivables and Other Assets, less current portion		-		80		-		80
Investments, at fair value		32,973		-		-		32,973
Capital Projects in Israel		-		55,493		-		55,493
Fixed Assets, net		4,496		8		-		4,504
Total Assets	\$	292,151	\$	180,086	\$	(123,710)	\$	348,527
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	\$	6,371	\$	202	\$	-	\$	6,573
Loan payable, current		-		5,000		-		5,000
Accrued postretirement benefits other than pensions, current		310		-		-		310
Amounts held for others		127,198		-		(123,676)		3,522
Accrued pension benefit cost, current		2,900		-		-		2,900
Deferred revenue		3,652		-		-		3,652
Deferred rent, current		118		-		-		118
Other payables		186		34		(34)		186
Total Current Liabilities		140,735		5,236		(123,710)		22,261
Accrued Postretirement Benefits, other than pensions, less current portion		5,750		-		-		5,750
Loans Payable, less current portion		-		13,908		-		13,908
Deferred Rent, less current portion		6,183		-		-		6,183
Obligations Under Split Interest Agreements		2,771		-		-		2,771
Accrued Pension Benefit Cost, less current portion		9,389		-		-		9,389
Other Payables, less current portion		178		-		-		178
Total Liabilities		165,006		19,144		(123,710)		60,440
Net Assets		127,145		160,942		-		288,087
Total Liabilities and Net Assets	\$	292,151	\$	180,086	\$	(123,710)	\$	348,527

The Jewish Federations of North America, Inc. and Subsidiaries

Consolidating Schedule of Activities (in thousands)

Year ended June 30, 2018

	The Jewish Federations of North America, Inc. and Subsidiary	UIA	Eliminations	Total
Operating Revenues, Gains and Other Support				
Campaign allocations from communities and annual assessments	\$ 238,035	\$ 149,710	\$ (160,423)	\$ 227,322
Contributions	17,535	4,801	-	22,336
U.S. Government grant	2,467	6,748	-	9,215
The National Federation/ Agency Alliance dues	75	-	-	75
General assembly and other conference revenues	2,480	-	-	2,480
Missions	2,353	-	-	2,353
Program revenues	2,888	-	-	2,888
Investment gain	3,402	-	-	3,402
Gain on sale of apartments - net		28	-	28
Rental income		361	-	361
Other revenues	2,990	-	-	2,990
Total Operating Revenues, Gains and Other Support, before amounts received for distribution to others	272,225	161,648	(160,423)	273,450
Less: amounts received for distribution to others	(7,223)	-	-	(7,223)
Total Operating Revenues, Gains and Other Support	\$ 265,002	\$ 161,648	\$ (160,423)	\$ 266,227

The Jewish Federations of North America, Inc. and Subsidiaries

Consolidating Schedule of Activities (in thousands)

Year ended June 30, 2018

	The Jewish Federations of North America, Inc. and Subsidiary	UIA	Eliminations	Total
Expenses				
Program services:				
United Israel Appeal, Inc. program services in Israel	\$ 159,859	\$ 171,237	\$(159,859)	\$ 171,237
Missions	3,165	-	-	3,165
JDC and other programs	84,987	-	-	84,987
Total Program Services	248,011	171,237	(159,859)	259,389
Supporting services:				
Management and general	9,712	566	(564)	9,714
Fundraising	2,078	-	-	2,078
Total Supporting Services	11,790	566	(564)	11,792
Total Expenses	259,801	171,803	(160,423)	271,181
Change in Net Assets from Operations	5,201	(10,155)	-	(4,954)
Other Changes in Net Assets				
Adjustment to minimum pension liabilities	4,151	-	-	4,151
Change in Net Assets	9,352	(10,155)	-	(803)
Net Assets, beginning of year	117,793	171,097	-	288,890
Net Assets, end of year	\$ 127,145	\$ 160,942	\$	\$ 288,087