

**Milwaukee Jewish Federation, Inc.  
and Affiliates**

Milwaukee, Wisconsin

**Consolidated Financial Statements**

Years Ended June 30, 2014 and 2013

# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Financial Statements

Years Ended June 30, 2014 and 2013

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## **Independent Auditor's Report**

Board of Directors  
Milwaukee Jewish Federation, Inc. and Affiliates  
Milwaukee, Wisconsin

We have audited the accompanying consolidated financial statements of Milwaukee Jewish Federation, Inc. (a nonprofit organization) and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Milwaukee Jewish Federation, Inc. and Affiliates as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States.

*Wipfli LLP*

Wipfli LLP

October 21, 2014

Milwaukee, Wisconsin

# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Statements of Financial Position

June 30, 2014 and 2013

<i>Assets</i>	2014	2013
Current assets:		
Cash and cash equivalents	9,472,373	\$ 9,275,926
Current portion of pledges receivable	3,628,933	5,249,882
Current portion of accounts and note receivable	416,894	658,327
Prepaid expenses	226,090	306,540
Total current assets	13,744,290	15,490,675
Long-term assets:		
Investments, at fair value	138,141,844	119,807,805
Property and equipment - Net	44,786,249	46,828,492
Pledges receivable, less current portion	288,118	308,204
Accounts and notes receivable - Net, less current portion	250,868	308,788
Real estate held for sale	2,338,488	2,471,363
Other assets	3,870,837	4,262,711
Total long-term assets	189,676,404	173,987,363
<b>TOTAL ASSETS</b>	<b>\$ 203,420,694</b>	<b>\$ 189,478,038</b>

<i>Liabilities and Net Assets</i>	2014	2013
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,430,886	\$ 1,196,811
Community allocations payable	-	4,236,888
Current maturities of long-term debt	119,918	117,207
Current payments on trusts and gift annuities	291,362	287,410
<b>Total current liabilities</b>	<b>1,842,166</b>	<b>5,838,316</b>
Long-term liabilities:		
Long-term debt, less current maturities	60,061,397	60,182,950
Payments on trusts and gift annuities, less current portion	3,164,807	3,097,899
Passport to Israel	530,431	557,084
Interest rate swaps	4,920,650	5,571,403
Post-retirement benefit liability	33,400	33,400
Assets held on behalf of cemetery	3,378,720	3,001,535
<b>Total long-term liabilities</b>	<b>72,089,405</b>	<b>72,444,271</b>
<b>Total liabilities</b>	<b>73,931,571</b>	<b>78,282,587</b>
Net assets:		
Unrestricted	78,041,011	65,205,716
Temporarily restricted	51,448,112	45,989,735
<b>Total net assets</b>	<b>129,489,123</b>	<b>111,195,451</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 203,420,694</b>	<b>\$ 189,478,038</b>

# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Statements of Activities

Years Ended June 30, 2014 and 2013

	2014		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Campaign support:			
Annual and capital campaign support	\$ 5,851,461	\$ 126,874	\$ 5,978,335
Campaign payments from fund transfers	(3,716,671)	-	(3,716,671)
Total campaign support	2,134,790	126,874	2,261,664
Other contribution support	15,976,805	1,761,085	17,737,890
Investment income	10,392,880	8,206,484	18,599,364
Rental income	3,245,980	-	3,245,980
Programs and events revenue	805,472	-	805,472
Gain on sale of land and property	-	453,417	453,417
Impairment loss on real estate held for sale	(132,875)	-	(132,875)
Other income (loss)	698,580	(409,845)	288,735
Net assets released from restrictions	4,679,638	(4,679,638)	-
Total support and revenue	37,801,270	5,458,377	43,259,647
Expenses:			
Allocations (reductions) to local agencies	(11,562)	-	(11,562)
Allocations (reductions) to national agencies	(113)	-	(113)
Allocations (reductions) to Israel and overseas	(15,890)	-	(15,890)
Grants	11,019,632	-	11,019,632
Milwaukee programs	11,004,394	-	11,004,394
Scholarships	616,840	-	616,840
Administration and planning	1,437,441	-	1,437,441
Fundraising	1,565,986	-	1,565,986
Total expenses	25,616,728	-	25,616,728
Change in net assets before gain on interest rate swaps	12,184,542	5,458,377	17,642,919
Gain on interest rate swaps	650,753	-	650,753
Total change in net assets	12,835,295	5,458,377	18,293,672
Net assets at beginning of year	65,205,716	45,989,735	111,195,451
Net assets at end of year	\$ 78,041,011	\$ 51,448,112	\$ 129,489,123

2013		
Unrestricted	Temporarily Restricted	Total
\$ 6,792,745	\$ -	\$ 6,792,745
(2,623,892)	-	(2,623,892)
4,168,853	-	4,168,853
11,458,064	2,398,884	13,856,948
5,998,921	5,411,205	11,410,126
2,979,939	-	2,979,939
904,268	-	904,268
-	-	-
(144,732)	-	(144,732)
653,658	175,435	829,093
5,050,918	(5,050,918)	-
31,069,889	2,934,606	34,004,495
2,385,804	-	2,385,804
249,749	-	249,749
1,575,724	-	1,575,724
10,228,201	-	10,228,201
10,244,238	-	10,244,238
625,051	-	625,051
1,317,155	-	1,317,155
1,271,489	-	1,271,489
27,897,411	-	27,897,411
3,172,478	2,934,606	6,107,084
2,131,946	-	2,131,946
5,304,424	2,934,606	8,239,030
59,901,292	43,055,129	102,956,421
\$ 65,205,716	\$ 45,989,735	\$ 111,195,451

See accompanying notes to consolidated financial statements.



# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	2014	2013
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 18,293,672	\$ 8,239,030
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	77,784	55,807
Depreciation	2,394,800	2,445,485
Net realized and unrealized gains on investments	(16,009,404)	(8,683,966)
Amortization of revenue bond and debt issuance costs	42,970	22,534
Gain on sale of land and property	(453,417)	-
Impairment loss on real estate held for sale	132,875	144,732
Gain on interest rate swaps	(650,753)	(2,131,946)
Change in value of trusts	632,585	206,235
Deferred tax asset	250,000	(260,000)
Changes in operating assets and liabilities:		
Pledges receivable	1,567,328	(28,762)
Accounts and notes receivable	295,276	(458,603)
Prepaid expenses	80,450	(162,173)
Accounts payable and accrued expenses	234,075	410,923
Community allocations payable	(4,236,888)	(394,614)
Passport to Israel	(26,653)	(151,473)
Assets held on behalf of cemetery	377,185	102,175
Net cash provided by (used in) operating activities	3,001,885	(644,616)

# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2014 and 2013

	2014	2013
Increase (decrease) in cash and cash equivalents (Continued):		
Cash flows from investing activities:		
Purchases of property and equipment	(582,708)	(354,244)
Proceeds from sale of land and property	675,000	-
Purchase of investments	(77,967,122)	(55,408,541)
Proceeds from sales of investments	75,642,487	55,984,888
Increase in partnership interests	(1,358)	(20,745)
Increase in cash surrender value of life insurance	(52,918)	(42,926)
(Increase) decrease in reserve and replacement funds for HUD properties	161,748	(541,501)
Net cash used in investing activities	(2,124,871)	(383,069)
Cash flows from financing activities:		
Revenue bond and HUD-insured note issuance costs	-	(369,120)
Payments to trust beneficiaries	(561,725)	(951,903)
Proceeds from issuance of term note	-	3,902,150
Repayment on long-term debt	(118,842)	(141,541)
Net cash provided by (used in) financing activities	(680,567)	2,439,586
Net increase in cash and cash equivalents	196,447	1,411,901
Cash and cash equivalents at beginning of year	9,275,926	7,864,025
Cash and cash equivalents at end of year	\$ 9,472,373	\$ 9,275,926
Supplemental cash flow information:		
Cash paid for interest	\$ 2,235,009	\$ 1,897,748

See accompanying notes to consolidated financial statements.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2014

	Administration and Planning	Fundraising	Local Allocations, Grants, Programs, and Awards	Israel, Overseas, and National Charities Allocations and Grants	Total
Allocations (reductions)	\$ -	\$ -	\$ (11,562)	\$ (16,003)	\$ (27,565)
Grants	-	-	8,443,104	2,576,528	11,019,632
Interest and related fees	-	-	2,221,472	-	2,221,472
Miscellaneous	1,261	16	397,806	-	399,083
Professional services	46,117	155,954	686,024	-	888,095
Buildings/Cemetery operations	-	-	2,751,975	-	2,751,975
Newspaper	-	-	58,200	-	58,200
Salaries and benefits	1,269,944	1,073,965	930,621	-	3,274,530
Marketing and communications	93	59,289	28,645	-	88,027
Office operations	48,997	109,783	106,046	-	264,826
Occupancy and insurance	48,834	92,371	203,205	-	344,410
Information systems administration	13,004	16,052	12,396	-	41,452
Professional development	9,151	25,357	16,514	-	51,022
Programs and events	40	33,199	1,153,720	-	1,186,959
Scholarships and awards	-	-	616,840	-	616,840
Depreciation and amortization	-	-	2,437,770	-	2,437,770
<b>Total expenses</b>	<b>\$ 1,437,441</b>	<b>\$ 1,565,986</b>	<b>\$ 20,052,776</b>	<b>\$ 2,560,525</b>	<b>\$ 25,616,728</b>

# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Statement of Functional Expenses (Continued)

Year Ended June 30, 2013

	Administration and Planning	Fundraising	Local Allocations, Grants, Programs, and Awards	Israel, Overseas, and National Charities Allocations and Grants	Total
Allocations	\$ -	\$ -	\$ 2,385,804	\$ 1,825,473	\$ 4,211,277
Grants	-	-	8,391,073	1,837,128	10,228,201
Interest and related fees	-	-	2,356,235	-	2,356,235
Miscellaneous	973	410	469,839	-	471,222
Professional services	24,293	40,791	492,396	-	557,480
Buildings/Cemetery operations	-	-	2,359,454	-	2,359,454
Newspaper	-	-	54,786	-	54,786
Salaries and benefits	1,183,554	928,386	946,693	-	3,058,633
Marketing and communications	-	45,861	29,532	-	75,393
Office operations	38,125	68,340	86,033	-	192,498
Occupancy and insurance	44,472	82,225	369,727	-	496,424
Information systems administration	15,942	15,318	11,573	-	42,833
Professional development	7,627	8,949	10,304	-	26,880
Programs and events	2,169	81,209	589,647	-	673,025
Scholarships and awards	-	-	625,051	-	625,051
Depreciation and amortization	-	-	2,468,019	-	2,468,019
<b>Total expenses</b>	<b>\$ 1,317,155</b>	<b>\$ 1,271,489</b>	<b>\$ 21,646,166</b>	<b>\$ 3,662,601</b>	<b>\$ 27,897,411</b>

See accompanying notes to consolidated financial statements.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1      **Summary of Significant Accounting Policies**

#### **Nature of Activities**

Milwaukee Jewish Federation, Inc. is a nonprofit organization whose mission, through the development of community-wide financial support, planning, and allocations, is to ensure the continuity of the Jewish people, to enhance the quality of Jewish life, and to build a strong, unified, and inclusive Jewish community in Milwaukee, in Israel, and throughout the world.

#### **Consolidated Financial Statements**

The accompanying consolidated financial statements include the accounts of the Milwaukee Jewish Federation, Inc.; three corporations, MJF Housing No. 2, Inc., and MJF Housing No. 3, Inc., organized to own and operate housing under Section 202 of the National Housing Act, and MJF Golda Meir Housing, Inc., organized to own and operate housing under Section 207 pursuant to Section 223(f) of the National Housing Act, regulated by the U.S. Department of Urban Development (“HUD”); seven charitable trusts; and one supporting foundation (Blumenthal Family Supporting Foundation) (collectively the “Federation”). All material intercompany balances and transactions have been eliminated in the consolidation.

#### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”).

#### **Use of Estimates in Preparation of Financial Statements**

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Cash and Cash Equivalents**

The Federation considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

#### **Investments and Investment Income**

Investments are recorded at fair value. Donated investments are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received. The Federation records the change in ownership of bonds and stocks on the day a trade is made.

Investment income (including realized and unrealized gains and losses, interest, and dividends) is reported as unrestricted or temporarily restricted revenue based on donor designation, law, or appropriations approved by the Board of Directors.

#### **Fair Value Measurements**

The Federation measures fair value of its financial instruments using a three-tier hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Federation determines fair value by:

- Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical asset or liabilities in active markets that the Federation has the ability to access.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Fair Value Measurements** (Continued)

- Level 2 inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical or similar assets or liabilities in active markets
  - Inputs, other than quoted prices, that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

#### **Pledges Receivable**

Pledges are recorded as receivables in the year pledged. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase to temporarily restricted net assets and reclassified to unrestricted net assets when received. Pledges whose ultimate purpose has been met in the current period but the cash has not been received are recorded as unrestricted net assets.

Management individually reviews all past due pledge receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of pledges receivable are reduced by collection reserves that reflect management's estimate of uncollectible amounts.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Pledges Receivable** (Continued)

Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on pledges is computed using a 2% rate for the years ended June 30, 2014 and 2013. The amortization of the discount is recognized as contribution income over the duration of the pledge.

#### **Accounts and Note Receivable and Credit Policy**

Accounts receivable are uncollateralized obligations due on normal trade terms and are stated at the amount management expects to collect from outstanding balances. Payments of accounts receivable are allocated to the specific invoices identified on the client's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Note receivable represents an amount lent to an area business by a donor who endorsed the note to the Federation in January 2012. The note is due in annual interest-only payments of \$1,170 with a final payment of principal and interest due January 29, 2021.

Management individually reviews all past due accounts and notes receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amount of accounts and notes receivable is reduced by allowances that reflect management's estimate of uncollectible amounts.

#### **Property and Equipment**

Property and equipment acquisitions are recorded at cost. All acquisitions of property and equipment in excess of \$2,500 and all expenditures for repairs, maintenance, improvements, and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements that do not prolong the useful lives of assets are expensed as incurred. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Useful lives range from 3 to 30 years for equipment and 10 to 45 years for buildings and land improvements.



# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Property and Equipment** (Continued)

Gifts of long-lived assets such as land, buildings, or equipment are reported 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, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### **Real Estate Held for Sale**

The Federation receives gifts of real estate, which is recorded at fair value on the date the gift is received. The fair value of the property is typically based on appraisals. These assets are generally marketed for sale immediately. The real estate held for sale is not depreciated; instead it is reviewed periodically for impairment, with the carrying value of the property adjusted for any impairment losses.

Management has determined that certain real estate properties held for sale were impaired and recorded a loss on impairment of \$132,875 and \$144,732 during the years ended June 30, 2014, and 2013, respectively. Property assessments were utilized in determining fair value of the real estate.

#### **Revenue Bond and HUD-Insured Note Issuance Costs**

Revenue bond and HUD-insured note issuance costs, included with other assets in the accompanying consolidated statements of financial position, have been capitalized and are being amortized over the related debt term using the straight-line method, which approximates the interest method.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Reserve and Replacement Funds for HUD Properties**

A replacement reserve is funded monthly and is held by the mortgagee. With HUD's approval, these funds may be used for the replacement of property or other operating expenses.

A reserve fund is maintained in a separate trust fund. The escrow exists to cover any shortfalls in cash available to make interest payments due on the revenue bonds underlying the Federation's HUD coinsured mortgage.

Both the reserve and replacement funds are included with other assets in the accompanying consolidated statements of financial position.

#### **Community Allocations Payable**

Community allocations payable represent grants and allotments that are generally approved by the Board of Directors in June and paid the following fiscal year. The Board of Directors did not approve 2014-15 allocations at its final meeting and therefore no payable existed as of June 30, 2014. At an earlier meeting, the Board of Directors had approved a reduction to 2013-14 allocations due to a shortfall in campaign achievement. Total reductions of fiscal 2013 allocations were \$27,565 and are listed as negative expense balances in the accompanying consolidated statements of activities in 2014. Total cash paid for community allocations during the years ended June 30, 2014 and 2013, were \$4,209,323 and \$4,605,891, respectively. See Note 19 for information regarding amounts awarded for fiscal 2015.

#### **Post-Retirement Benefit Liability**

The post-retirement benefit liability consists of deferred compensation for four retired employees. The Federation does not offer deferred compensation to any other employees or officers.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Payments on Trusts and Gift Annuities**

Payments on trusts and gift annuities represent a liability for the actuarial present value of future beneficiaries' payments under charitable trusts and gift annuities irrevocably naming the Federation or local Jewish agencies as final recipient of trust assets. In addition, this liability includes the assets of revocable charitable trusts and a liability for the actuarial present value of trust assets reverting to a beneficiary under a charitable lead trust. The present value of the estimated future liabilities was calculated using rates between 5.25% and 8.00% and applicable mortality tables. Assets held in trusts and gift annuities totaled \$5,316,058 and \$4,958,967 at June 30, 2014 and 2013, respectively, and are included in investments in the accompanying consolidated statements of financial position.

#### **Passport to Israel**

Passport to Israel is a program used to encourage donors to send their children to Israel. Donor contributions are matched by the donor's synagogue and the Federation. These funds are held by the Federation on behalf of the donors and are invested in the Federation's fixed pool investments with the capital appreciation added to the donor's account. Expenses incurred on the child's trip to Israel may be reimbursed from this account.

#### **Interest Rate Swaps**

The Federation uses interest rate swaps to manage its risk related to interest rate movements. The Federation's risk management strategy is to stabilize cash flow variability on its variable rate debt with interest rate swaps. At the inception of the swap agreements, the Federation documented its risk management strategy and assessed the interest rate swaps' effectiveness at producing offsetting cash flows. The interest rate swaps have been deemed effective in achieving their objectives and have been designated as cash flow hedges.

The interest rate swaps are reported at fair value in the accompanying consolidated statements of financial position, with the change in fair value shown as gain (loss) on interest rate swaps in the accompanying consolidated statements of activities.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Assets Held on Behalf of Cemetery**

Cemetery property and equipment and an investment portfolio intended to satisfy cemetery operating expenses were transferred to the Federation in 1988. The assets are included in the Federation's investments and property and equipment; cemetery payables are included in the Federation's accounts payable and accrued expenses in the accompanying consolidated statements of financial position. The excess of cemetery assets over liabilities is recorded as a long-term liability in the accompanying consolidated statements of financial position as the entire transfer is revocable upon 60 days notice to or from the Federation.

#### **Classification of Net Assets**

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Federation and changes therein are classified and reported as follows:

- *Unrestricted net assets* are the assets of the Federation that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- *Temporarily restricted net assets* are those whose use by the Federation has been limited by donors to a specific time period or purpose. As the restrictions are met, the temporarily restricted net assets are released and recognized as unrestricted support.
- *Permanently restricted net assets* are those amounts contributed by donors with the intent that the principal be maintained in perpetuity. The Federation had no permanently restricted net assets at June 30, 2014 and 2013.

#### **Campaign Payments From Fund Transfers**

Donors may recommend transfers to various campaigns from established donor advised funds. The Federation presents these transfers as a reduction in annual and capital campaign support on the accompanying consolidated statements of activities.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets to the Federation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift was deemed unconditional. The gifts are reported as either temporarily 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 as unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the consolidated financial statements.

#### **Tax Status**

The Milwaukee Jewish Federation, Inc. is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Milwaukee Jewish Federation, Inc. is also exempt from state income taxes on related income. All other entities consolidated in these financial statements have been classified as disregarded entities or tax-exempt organizations under the Code, with the exception of MJF Golda Meir Housing, Inc.

MJF Golda Meir Housing, Inc. is classified as a for-profit corporation. MJF Golda Meir Housing, Inc. accounts for income taxes pursuant to the asset and liability method. Accordingly, the current or deferred tax consequences of a transaction are measured by applying the provision of enacted tax laws to determine the amount of taxes payable currently or in future years. Deferred income taxes are provided for temporary differences between the income tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### Tax Status (Continued)

The Federation recognizes the benefits of a tax position only after determining whether it is more likely than not that the taxing authority would sustain the tax position upon examination of the technical merits of the tax position assuming the taxing authority has full knowledge of all information. The Federation recorded no assets or liabilities related to uncertain tax positions. Tax returns for the fiscal years 2011 and beyond remain subject to examination by the applicable taxing authorities.

#### Subsequent Events

Subsequent events have been evaluated through October 21, 2014, which is the date the financial statements were issued. See Note 19 for specific subsequent events.

### Note 2 Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of June 30:

	2014	2013
Checking accounts and petty cash	\$ 4,011,665	\$ 4,070,892
Cash proceeds from tax-exempt bonds	52,653	76,648
Cash held by investment managers	5,408,055	5,128,386
Total cash and cash equivalents	<u>\$ 9,472,373</u>	<u>\$ 9,275,926</u>

The cash proceeds from tax exempt bonds (see Note 9) can only be used for the financing of capital projects. Cash held by investment managers are held on behalf of donors to the Jewish Community Foundation. These two cash sources cannot be used for the general operations of the Federation.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 3 Pledges Receivable

Pledges receivable at June 30, 2014 consisted of the following:

	<b>Gross Pledges Receivable</b>	<b>Collection Reserves</b>	<b>Unamortized Discount</b>	<b>Net Pledges Receivable</b>
Annual campaigns	\$ 4,091,418	\$ (882,504)	\$ (11,631)	\$ 3,197,283
Community capital campaign	506,644	(249,444)	(312)	256,888
Other campaigns	470,375	-	(7,495)	462,880
Totals	\$ 5,068,437	\$ (1,131,948)	\$ (19,438)	\$ 3,917,051

Pledges receivable at June 30, 2013 consisted of the following:

	<b>Gross Pledges Receivable</b>	<b>Collection Reserves</b>	<b>Unamortized Discount</b>	<b>Net Pledges Receivable</b>
Annual campaigns	\$ 4,504,697	\$ (734,157)	\$ (19,233)	\$ 3,751,307
Community capital campaign	1,453,588	(309,788)	(5,050)	1,138,750
Other campaigns	668,029	-	-	668,029
Totals	\$ 6,626,314	\$ (1,043,945)	\$ (24,283)	\$ 5,558,086

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 3 Pledges Receivable (Continued)

Pledges receivable are expected to be collected as follows:

	2014	2013
Less than one year	\$ 4,511,437	\$ 5,984,039
One to five years	557,000	642,275
Gross pledges receivable	5,068,437	6,626,314
Less:		
Unamortized discount	19,438	24,283
Collection reserves	1,131,948	1,043,945
Pledges receivable - Net	3,917,051	5,558,086
Less: Current portion	3,628,933	5,249,882
Pledges receivable - Net, less current portion	\$ 288,118	\$ 308,204



# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 4      Accounts and Notes Receivable

Accounts and notes receivable included the following at June 30:

	2014	2013
Receivable from charitable trust	\$ 181,736	\$ 227,331
Loan to Jewish Community Center	50,000	100,000
WJGBP insurance receivable	9,929	85,529
Bequests receivable	8,506	306,500
Note receivable	89,914	88,473
Mortgage loan receivable	45,340	45,364
Student loans receivable	6,242	10,426
Chronicle advertising sales receivable	15,117	-
Rent receivable	15,825	25,528
Replacement reserve receivable	138,431	-
Other receivables	122,176	79,416
Gross accounts and notes receivable	683,216	968,567
Less: Allowance for doubtful accounts	15,454	1,452
Total accounts and notes receivable - Net	667,762	967,115
Less: Current portion	416,894	658,327
Accounts and notes receivable - Net, less current portion	\$ 250,868	\$ 308,788

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 5 Investments

Investments stated at fair value included the following at June 30:

	2014	2013
State of Israel bonds	\$ 1,949,200	\$ 2,226,700
Corporate, U.S. government, and municipal bonds	9,591,202	18,917,947
Common and preferred stock	11,914,752	13,609,440
Mutual funds	69,368,018	51,589,718
Alternative investments	45,318,672	33,464,000
Total investments	\$ 138,141,844	\$ 119,807,805

Investment income for the years ended June 30, was as follows:

	2014	2013
Interest income	\$ 1,330,220	\$ 1,277,674
Dividend income	1,259,740	1,448,486
Unrealized gains	11,989,906	6,888,597
Realized gains	4,019,498	1,795,369
Total investment income	\$ 18,599,364	\$ 11,410,126

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 6 Fair Value Measurements

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

- Cash equivalents, consisting mainly of money market funds, are valued using \$1 as the net asset value (NAV).
- State of Israel bonds are valued at cost, which approximates fair value.
- Corporate, U.S. government, and municipal bonds are valued using quotes from pricing vendors based on recent trading activity and other observable market data.
- Common and preferred stock is valued based on quoted market prices.
- Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Federation are deemed to be actively traded.
- Alternative investments are valued based on estimates and valuations provided by investment managers which use pricing models and other unobservable inputs to value the investments.
- Pledges receivable are valued at the present value of estimated future cash flows.
- Future payments on trusts and gift annuities are valued at the present value of estimated future cash flows based on life expectancies, quoted market prices, and discount rates.
- The interest rate swaps are valued using discounted cash flows based on yield curves and other factors.
- The post-retirement benefit liability is recorded at the present value of the Federation's obligation to pay current and former employees deferred plan benefit.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Federation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 6 Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis as of June 30, 2014, was as follows:

	Fair Value Measurements Using			Total at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
State of Israel bonds	\$ -	\$ 1,949,200	\$ -	\$ 1,949,200
Corporate bonds	-	4,193,790	-	4,193,790
U.S. government and municipal bonds	-	5,397,412	-	5,397,412
Common stock:				
Domestic equities	10,616,725	-	-	10,616,725
Foreign equities	1,160,880	-	-	1,160,880
Preferred stock	137,147	-	-	137,147
Equity mutual funds:				
Domestic equities	31,762,075	-	-	31,762,075
Foreign equities	14,813,958	-	-	14,813,958
Fixed income mutual funds	22,791,985	-	-	22,791,985
Alternative investments:				
Private equity funds	-	-	725,173	725,173
Hedge funds	-	-	311,410	311,410
Other alternative investments	-	-	28,788,903	28,788,903
Other structured products	-	-	15,493,186	15,493,186
Total investments	81,282,770	11,540,402	45,318,672	138,141,844
Cash equivalents	-	5,408,055	-	5,408,055
Pledges receivable	-	3,917,051	-	3,917,051
Total assets	\$ 81,282,770	\$ 20,865,508	\$ 45,318,672	\$ 147,466,950

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 6 Fair Value Measurements (Continued)

Information regarding liabilities measured at fair value on a recurring basis as of June 30, 2014, was as follows:

	Fair Value Measurements Using			Total at Fair Value
	Level 1	Level 2	Level 3	
Future payments on trusts and gift annuities	\$ -	\$ 3,456,169	\$ -	\$ 3,456,169
Interest rate swaps	-	4,920,650	-	4,920,650
Post-retirement benefit liability	-	-	33,400	33,400
Total liabilities	\$ -	\$ 8,376,819	\$ 33,400	\$ 8,410,219

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 6 Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis as of June 30, 2013, was as follows:

	Fair Value Measurements Using			Total at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
State of Israel bonds	\$ -	\$ 2,226,700	\$ -	\$ 2,226,700
Corporate bonds	-	12,411,908	-	12,411,908
U.S. government and municipal bonds	-	6,506,039	-	6,506,039
Common stock:				
Domestic equities	12,816,783	-	-	12,816,783
Foreign equities	538,737	-	-	538,737
Preferred stock	253,920	-	-	253,920
Equity mutual funds:				
Domestic equities	26,892,055	-	-	26,892,055
Foreign equities	15,230,792	-	-	15,230,792
Fixed income mutual funds	9,466,871	-	-	9,466,871
Alternative investments:				
Private equity funds	-	-	697,466	697,466
Hedge funds	-	-	375,495	375,495
Other alternative investments	-	-	22,946,008	22,946,008
Other structured products	-	-	9,445,031	9,445,031
Total investments	65,199,158	21,144,647	33,464,000	119,807,805
Cash equivalents	-	5,128,386	-	5,128,386
Pledges receivable	-	5,558,086	-	5,558,086
Total assets	\$ 65,199,158	\$ 31,831,119	\$ 33,464,000	\$ 130,494,277

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 6 Fair Value Measurements (Continued)

Information regarding liabilities measured at fair value on a recurring basis as of June 30, 2013, was as follows:

	Fair Value Measurements Using			Total at Fair Value
	Level 1	Level 2	Level 3	
Future payments on trusts and gift annuities	\$ -	\$ 3,385,309	\$ -	\$ 3,385,309
Interest rate swaps	-	5,571,403	-	5,571,403
Post-retirement benefit liability	-	-	33,400	33,400
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 8,956,712</b>	<b>\$ 33,400</b>	<b>\$ 8,990,112</b>

The table below sets forth a summary of changes in fair value of the Federation's level 3 assets and liabilities for the years ended June 30, 2014 and 2013:

	Alternative Investments	Post-Retirement Benefit Liability
Balance, June 30, 2012	\$ 20,695,376	\$ (33,400)
Income	2,931,339	-
Net purchases and sales	9,837,285	-
Balance, June 30, 2013	33,464,000	(33,400)
Income	5,266,253	-
Net purchases and sales	5,221,861	-
Other changes	1,366,558	-
<b>Balance, June 30, 2014</b>	<b>\$ 45,318,672</b>	<b>\$ (33,400)</b>

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 6 Fair Value Measurements (Continued)

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 820-10-55-103 requires, for all Level 3 fair value measurements, the disclosure of the quantitative information about significant unobservable inputs used. An exception to providing additional quantitative measure is allowed when unadjusted third-party pricing is used, assuming the additional qualitative information is provided to obtain comfort with the third-party price provided.

The private equity funds, hedge funds, other alternative investments, and other structured products are valued at NAV of the underlying investments as reported by the fund manager. Adjustments to the reported NAV may be made by the fund manager based on various factors, including but not limited to the attributes of the interest held, including the rights and obligations, any restrictions on liquidity of such interests, and the fair value of the investment portfolio. These values are reviewed each month by the fund manager's investment committee.

The following table presents additional information about the Federation's investments whose fair value is estimated using the reported NAV.

	Fair Value June 30, 2014	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds:				
Goldman Sachs Hedge Fund Partners Plus, LTD Class A Series 1 (A)	\$ 46,309	\$ -	I	I
Goldman Sachs Investment Partners (B)	265,101	-	I	I
Other alternative investments and structured products:				
EnTrust Capital Diversified Fund QP LTD (C)	2,302,658	-	II	II
Rock Creek Georgetown Fund LTD (D)	10,821,888	-	III	III
Stark Investments (E)	531,598	-	I	I
Greenlight Capital (F)	2,450,648	-	NAV on June 30	45 Days
PRISA fund (G)	10,941,030	416,346	Quarterly	90 Days
Clarion Lion Properties Real Estate Fund (H)	1,741,081	-	Quarterly	90 Days
AQR Global Risk Premium Enhanced Liquidity Fund (I)	6,462,767	-	Weekly	5 Days
Crescent Capital (J)	9,030,419	-	IV	60 Days
Private equity funds:				
Goldman Sachs Vintage Fund IV Offshore, LP (K)	465,823	-	V	V
Goldman Sachs Distressed Opportunities Fund IV LP (L)	259,350	-	V	V



# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 6 Fair Value Measurements (Continued)

- I. These funds are currently in the liquidation process. Liquidity is determined by market conditions.
  - II. The initial lockup from June 7, 2012 funding is one year. After the lock-up period, the funds call for periodic redemptions each calendar quarter with 90 days notice.
  - III. The initial lockup from June 30, 2012 funding is three years. After the lock-up period, the funds call for periodic redemptions each calendar quarter with 90 days notice.
  - IV. Withdrawals are allowed as of the close of business on the last business day of February, May, August, and November.
  - V. These funds have a 10-year lockup period.
- (A) The Goldman Sachs Hedge Fund Partners Plus, LTD Class A series 1 is currently in liquidation.
- (B) Goldman Sachs Investment Partners is currently in liquidation.
- (C) EnTrust Capital Diversified Fund QP LTD is an exempted company incorporated under the laws of the Cayman Islands. The fund invests substantially all of its net assets in an international business company incorporated under the laws of the British Virgin Islands, EnTrust Capital Diversified Fund LTD (the "Master Fund"), under a master-feeder agreement. The structure of the Master Fund allocates its assets among a diversified group of alternative investment fund managers, commonly referred to as a "fund of funds." The investment strategies may utilize a variety of financial instruments in their trading strategies and invest in U.S. and non-U.S. equities and equity-related securities, debt securities, options, futures, forwards, swap contracts, repurchase agreements, private placements, and commodities.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 6 Fair Value Measurements (Continued)

- (D) Rock Creek Georgetown Fund LTD is an exempted company incorporated under the laws of the Cayman Islands. The structure of the fund allocates its assets among a diversified group of alternative investment fund managers, which is commonly referred to as a “fund of funds.” The investment strategies may include, but are not limited to, pairs trading, market neutral equity, merger arbitrage, long/short equity, long concentrated, long biased, short biased, and event driven investment strategies.
- (E) The Stark Investments funds are currently in liquidation.
- (F) The Greenlight Capital fund seeks to maximize capital by buying securities with trading values materially lower than their intrinsic values and by selling short securities with trading values materially higher than their intrinsic values. The fund aims to achieve high absolute rates of return while minimizing the risk of capital loss. The fund invests on a concentrated, hedged basis in U.S. equities and debt securities and event-related/special situation investments. The fund also invests in non-U.S. equities on a more limited basis with the bulk of this exposure in developed Europe.
- (G) The PRISA fund is a broadly diversified equity real estate portfolio that invests primarily in existing, income-producing properties with strong cash flow that are expected to increase over time and thereby provide the potential for capital appreciation. The fund makes investments in office, retail, industrial, apartment, hotel, and storage properties. The fund may also hold a modest amount of unimproved land or other property types. Investments are made through direct property ownership, or indirectly through such vehicles as joint ventures, general or limited partnerships, limited liability companies, mortgage loans and other loan types, including mezzanine debt and debt secured by an interest in the borrowing entity or interest in companies or entities that directly or indirectly hold real estate or real estate interests.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 6 Fair Value Measurements (Continued)

- (H) The Clarion Lion Properties Real Estate Fund is a core-style, open-end real estate fund that holds a strategically diversified portfolio of real estate assets across the four main property types in major markets located throughout the United States. The primary performance objective is to combine attractive income yield with long-term capital growth.
- (I) AQR Global Risk Premium Enhanced Liquidity Fund (“AQR”) invests in a diversified set of global risk premiums including global developed and emerging equities, U.S. small-cap and mid-cap equities, global developed and inflation-protected bonds, commodity futures, and swaps. AQR seeks to implement a broadly diversified and higher long-term risk-adjusted return from a combination of these investments.
- (J) Crescent Capital is a limited partnership whose investment objective principally targets below investment grade debt securities, including senior secured loans, public high yield securities, and private high yield debt. Crescent Capital may also invest in other asset classes, including similar securities of foreign issuers. The limited partnership will not utilize leverage, engage in short selling, or invest in derivatives. Crescent Capital will not invest in distressed securities but may continue to hold or add to a fixed income security of a company that subsequently declares bankruptcy or otherwise engages in a bankruptcy-type reorganization. As a secondary objective, Crescent Capital seeks capital appreciation, but only when consistent with the primary investment objective.
- (K) Goldman Sachs Vintage Funds IV Offshore, LP is focused on acquiring portfolios of private equity assets, including interests in existing limited partnerships, interests in portfolios of direct company investments, and other structured liquidity or capital solutions, including securitizations and co-investments. The funds source opportunities from sellers and general partners around the world, acquiring and structuring portfolio of private equity partnerships and underlying portfolio companies, across various leveraged buyout, distressed, mezzanine, growth capital, and venture capital strategies.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 6 Fair Value Measurements (Continued)

- (L) Goldman Sachs Distressed Opportunities Fund IV LP invests in partnerships and other funds that focus primarily in distressed securities. The partnerships invest mainly in private equity and control-oriented distressed investments, small and medium-sized companies in North America, and small and mid-market companies in distressed and special situations across multiple industries, with a particular focus on the technology, consumer, financial, and healthcare sectors. These distressed securities are based in businesses that are experiencing operational, financial, or situational distress, such as corporate orphan, non-core or underperforming assets, liquidity driven opportunities, instancing involving ownership conflict, and out-of-favor businesses or industries.

The Federation also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These include assets measured at the lower of carrying value or market, less costs to sell, and had a fair value below carrying value at June 30, 2014 and 2013.

	2014			
	Fair Value Measurements Using			Total at Fair Value
	Level 1	Level 2	Level 3	
Real estate held for sale	\$ -	\$ 2,338,488	\$ -	\$ 2,338,488

	2013			
	Fair Value Measurements Using			Total at Fair Value
	Level 1	Level 2	Level 3	
Real estate held for sale	\$ -	\$ 2,471,363	\$ -	\$ 2,471,363

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 7 Property and Equipment

Property and equipment consisted of the following at June 30:

	2014	2013
Land and improvements	\$ 3,300,576	\$ 3,364,576
Buildings	61,082,827	61,171,578
Equipment	7,311,386	7,193,745
Construction in progress	292,669	55,425
Total property and equipment	71,987,458	71,785,324
Less - Accumulated depreciation	27,201,209	24,956,832
Property and equipment - Net	\$ 44,786,249	\$ 46,828,492

### Note 8 Other Assets

Other assets consisted of the following at June 30:

	2014	2013
Partnership interests	\$ 387,716	\$ 386,358
Cash surrender value of life insurance policies	1,600,702	1,547,784
Revenue bond and HUD-insured note issuance costs - Net	735,112	769,514
Reserve and replacement funds for HUD properties	1,137,307	1,299,055
Deferred tax asset	10,000	260,000
Total other assets	\$ 3,870,837	\$ 4,262,711

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 9 Long-Term Debt

Long-term debt consisted of the following at June 30:

	2014	2013
Colorado Education and Cultural Facilities Authority Demand Revenue Bonds, Series O-1, \$48,715,000 of principal maturing in September 2035 and \$5,625,000 of principal maturing in November 2037; interest rate of 1.015% at June 30, 2014.	\$ 54,340,000	\$ 54,340,000
HUD-insured 2.50% Mortgage Note, with monthly principal and interest payments of \$20,992 through February 2048.	5,729,648	5,836,855
Term loan, monthly principal payments of \$833 plus interest at 3.30% with a final payment of all outstanding principal and interest due June 1, 2019.	111,667	123,302
Total long-term debt	60,181,315	60,300,157
Less current maturities	119,918	117,207
Long-term portion	\$ 60,061,397	\$ 60,182,950

### Demand Revenue Bonds

In December 2012, the Federation issued \$54,340,000 in tax-exempt variable rate demand revenue bonds (the "Series O-1 Bonds") through the Colorado Educational and Cultural Facilities Authority as part of the National Jewish Federation Bond Program. The proceeds were used to refund Series C-1 and C-5 Bonds totaling \$48,715,000 and \$7,000,000 issued in 2005 and 2008, respectively.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 9 Long-Term Debt (Continued)

#### Demand Revenue Bonds (Continued)

Interest expense on the Series O-1 Bonds is based on the Daily Rate, equal to the Securities Industry and Financial Markets Association (SIFMA) index, is reset daily, and is payable monthly.

At June 30, 2014 and 2013, \$52,653 and \$76,648, respectively, of the bond proceeds were unspent, respectively (see Note 2).

Wells Fargo is the Trustee and U.S. Bank is the Initial Holder of the Series O-1 Bonds. The bonds are secured by certain assets of the Federation. Terms of the bond agreement require the Federation to meet semi-annual liquidity covenants measured as of June 30, and December 31. As of June 30, 2014, management believes the Federation was in compliance with all established covenants.

#### HUD-Insured Mortgage Note

In previous years, the Federation had a 7.625% mortgage note insured by HUD on Golda Meir House, a 127-unit apartment project offering federal rent subsidies for the elderly and handicapped. The note was collateralized by the rental property and assignment of rents. In 2012, the Federation created a wholly-owned for-profit subsidiary, MJF Golda Meir Housing, Inc. The Golda Meir House property was transferred to MJF Golda Meir Housing, Inc. in January 2013, and the related note was refinanced through HUD. The refinanced note is collateralized by the rental property and assignment of rents.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 9 Long-Term Debt (Continued)

#### Required Payments of Principal

Required payments of principal on the long-term debt, including current maturities, are summarized as follows:

	Demand			
	Revenue Bonds	Mortgage Note	Term Loan	Total
2015	\$ -	\$ 109,918	\$ 10,000	\$ 119,918
2016	-	112,698	10,000	122,698
2017	-	115,548	10,000	125,548
2018	-	118,470	10,000	128,470
2019	-	121,466	10,000	131,466
Thereafter	54,340,000	5,151,548	61,667	59,553,215
Total	\$ 54,340,000	\$ 5,729,648	\$ 111,667	\$ 60,181,315

Interest expense for the years ended June 30, 2014 and 2013, was \$2,183,171 and \$2,025,381, respectively.

### Note 10 Interest Rate Swaps

As disclosed in Note 9, the Series O-1 Bonds totaling \$54,340,000 bear interest at variable rates. To minimize the effect of changes in the market, the Federation entered into an interest rate swap contract which is dated September 8, 2008 and two additional interest rate swap contracts dated December 3, 2012.

The first interest rate swap expires October 1, 2018, and hedges a notional amount of \$54,340,000 at June 30, 2013 and 2012. This swap contract hedged the Series C-1 and C-5 Bonds originally and now hedges the Series O-1 Bonds after the refinancing in December 2012, as disclosed in Note 9. Under this agreement the Federation pays U.S. Bank a fixed rate of 3.065% and receives 70% of LIBOR.



# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 10 Interest Rate Swaps (Continued)

The second interest rate swap expires October 1, 2018, and hedges a notional amount of \$27,170,000. Under this agreement, the Federation pays U.S. Bank a floating rate of 70% of LIBOR and receives a fixed rate of 0.5322%.

The third interest rate swap becomes effective October 1, 2018, expires October 3, 2022, and hedges a notional amount of \$27,170,000. Under this agreement, the Federation pays U.S. Bank a fixed rate of 2.156% and receives a floating rate of 75% of LIBOR.

The following represents the fair value of the interest rate swaps as of June 30, 2014 and 2013, and the amount of exposure recorded in unrestricted net assets for the years ended June 30, 2014 and 2013.

	As of June 30, Asset (Liability)		Year Ended June 30, Gain (Loss)	
	2014	2013	2014	2013
First interest rate swap	\$ (4,761,642)	\$ (5,493,204)	\$ 731,562	\$ 2,210,145
Second interest rate swap	(486,266)	(768,533)	282,267	(768,533)
Third interest rate swap	327,258	690,334	(363,076)	690,334
Totals	\$ (4,920,650)	\$ (5,571,403)	\$ 650,753	\$ 2,131,946

Payments between the Federation and U.S. Bank are made monthly to correspond with the interest payments due on the tax-exempt variable rate demand revenue bonds. The interest rate swaps require the Federation to be in compliance with the Credit Support Document. The Federation was in compliance with the Credit Support Document at June 30, 2014.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 11      Unrestricted and Temporarily Restricted Net Assets

#### Unrestricted Net Assets

Unrestricted net assets which have been designated for various purposes consisted of the following at June 30:

	2014	2013
Unrestricted reserves	\$ 3,999,472	\$ 873,059
Donor-designated funds	20,228,050	12,930,783
Net investment in property and equipment	15,033,076	13,134,519
Supporting foundations	134,151	151,196
Donor-advised funds	38,646,262	38,116,159
<b>Total unrestricted net assets</b>	<b>\$ 78,041,011</b>	<b>\$ 65,205,716</b>

- Unrestricted reserves consist of lifetime gifts, bequests, and the investment return on all funds within this category. Distributions are made at the discretion of the Federation.
- Donor-designated funds consist of individual contributions received by the Federation in the form of lifetime gifts, bequests, or transfers from existing funds and trusts. Distributions are made, in keeping with the wishes expressed by the donors, by the Jewish Community Foundation's Endowment Committee. The Federation has final authority and discretion over the funds.
- Net investments in property and equipment consist of all fixed assets net of depreciation and liabilities.
- Supporting foundations consist of affiliated entities within the Federation. Supporting foundations are separate nonprofit vehicles with their own board of directors and the same tax benefits for the donors that they would receive for contributions made directly to the Federation. Distributions are made at the direction of the supporting foundations' officers and boards who are under the control of the Federation.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 11      **Unrestricted and Temporarily Restricted Net Assets** (Continued)

#### Unrestricted Net Assets (Continued)

- Supporting foundations consist of affiliated entities within the Federation. Supporting foundations are separate nonprofit vehicles with their own board of directors and the same tax benefits for the donors that they would receive for contributions made directly to the Federation. Distributions are made at the direction of the supporting foundations' officers and boards who are under the control of the Federation.
- Donor-advised funds are established by donors during their lifetimes and are similar to private foundations. Donors contribute cash, or appreciated securities and real property which are usually liquidated soon after being gifted. The proceeds are invested and controlled by the Federation but the donors retain the privilege of making recommendations for charitable distributions.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	2014	2013
Residual value of trusts and gift annuities	\$ 2,041,624	\$ 1,734,117
Scholarships, grants, and awards	6,763,945	5,469,276
Purpose-restricted	3,306,197	2,983,691
Restricted for agencies	36,184,351	33,058,783
PACE/LOJE funds	2,614,433	2,107,868
Time-restricted - Pinat Hatikvah	122,165	-
Time-restricted - Annual campaign	404,709	400,000
Time-restricted - Capital campaign	10,688	236,000
<b>Total temporarily restricted net assets</b>	<b>\$ 51,448,112</b>	<b>\$ 45,989,735</b>

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 11      Unrestricted and Temporarily Restricted Net Assets

#### Temporarily Restricted Net Assets (Continued)

- Residual value of trusts and gift annuities consist of split-interest gifts where the donor receives income from the trust or annuity for lifetime or a term of years and, upon the death of the donor or the end of the term, the Federation receives the remaining principal. The remainder can become either a restricted or unrestricted gift to the Federation, depending on the terms of the original agreement.
- Scholarships, grants, and awards are funds that were established to support a specific class of people, including teenagers, college students, and young leadership volunteers, by awarding them scholarships or grants based on the actions of the Federation committees established for that purpose.
- Purpose-restricted funds are created by donors to provide support for the programs and services of the Federation that they wish to support. The fund agreements provide for the manner and frequency of distributions in keeping with the federation's spending discipline.
- Agency funds are gifts made to the Jewish Community Foundation for the exclusive use and benefit of communal agencies, schools, and synagogues. The funds are invested and controlled by the Jewish Community Foundation, but can only be accessed at the request of the entity that established the funds.
- PACE/LOJE funds are contributed by donors who wish to designate their giving to the annual campaign of the Federation. Each year a distribution is made from each fund in the name of the donors to that year's campaign.
- Time-restricted – Pinat Hatikvah relates to pledges receivable whose use is restricted to the development of an outdoor space dedicated to life after the Holocaust.
- Time-restricted – Annual and Capital campaign relates to the annual and capital campaign pledges that are due in future periods.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 11      **Unrestricted and Temporarily Restricted Net Assets** (Continued)

#### Temporarily Restricted Net Assets (Continued)

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donor as follows:

	2014	2013
Residual value of trusts and gift annuities	\$ 433,318	\$ 515,438
Scholarships, grants, and awards	653,027	617,317
Purpose-restricted	151,293	53,793
Restricted for agencies	3,374,074	3,449,396
PACE/LOJE funds (recharacterization)	(157,386)	72,974
Time-restricted - Annual campaign	-	100,000
Time-restricted - Capital campaign	225,312	242,000
	<hr/>	<hr/>
Net assets released from restrictions	\$ 4,679,638	\$ 5,050,918

### Note 12      **Capital Advances**

MJF Housing No. 2, Inc. and MJF Housing No. 3, Inc. received a \$1,416,400 and \$1,391,400 capital advance, respectively, from HUD to finance construction of low-income apartment complexes. The advances given were in the form of mortgage notes which bear no interest and require no repayments provided that the complexes to which the mortgage notes relate remain available for low-income elderly persons in accordance with the appropriate regulations until March 1, 2038. It is management's intent to continue operating these complexes in accordance with these restrictions; therefore, the advances were recorded as unrestricted net assets in the accompanying consolidated statements of financial position.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 13**      **Benefit Plan**

The Federation sponsors the Milwaukee Jewish Federation, Inc. 401(k) Retirement Savings Plan covering all employees over the age of 21 with at least one year of service. Safe-harbor contributions to a trustee are made semimonthly at 3% of eligible staff's compensation. The Federation can, at its discretion, make an additional contribution of up to 4% of eligible staff compensation at calendar year-end. The Federation contributed 4% of eligible compensation for the fiscal years ended June 30, 2014 and 2013. Benefit plan expense was \$88,329 and \$78,013 for the fiscal years ended June 30, 2014 and 2013, respectively.

### **Note 14**      **Related Parties**

Board and staff members typically make contributions to the various campaigns of the Federation. Board members may be employees of firms with which the Federation conducts business. Board members may also be with firms or foundations that contribute funds or provide contributed services to the Federation. Board members abstain from voting on business transactions that involve any potential related parties. During the years ended June 30, 2014 and 2013, the Federation purchased insurance services totaling \$311,768 and \$287,766 from an insurance firm in which a board member of the Federation serves as an officer.

### **Note 15**      **Contingencies**

The Federation owns an interest in a partnership whose sole asset is land. Management is aware that the land may be contaminated with hazardous materials that could require remediation. Management believes that any potential liability related to the environmental remediation would be immaterial to the consolidated financial statements and; accordingly, no liability has been recorded for the environmental remediation at June 30, 2014 and 2013.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 15 Contingencies (Continued)

The Federation agreed to guarantee \$11,060,000 of tax-exempt variable rate demand revenue bonds issued by Madison Hillel through the Colorado Educational and Cultural Facilities Authority as part of the National Jewish Federation Bond Program. The Federation also guaranteed interest due on these bonds. Madison Hillel is a constituent agency of the Federation. Constituent agencies must meet the standards and qualifications contained in the Federation's Principles of Affiliation, including holding a 501(c)(3) determination letter from the Internal Revenue Service and providing program services to the Jewish community in the Milwaukee area. Capital campaign funds from Madison Hillel of \$7,834,805 are held at the Federation, and the Federation would use these investments, if needed, under the guarantee.

### Note 16 Milwaukee Programs

Milwaukee programs in the accompanying consolidated statements of activities for the years ended June 30 includes the following:

	2014	2013
Federation direct services	\$ 1,442,587	\$ 1,252,126
HUD properties	1,422,341	795,670
Federation properties	6,249,849	6,360,816
Reimagining project	604	59,830
Jewish Community Relations Council	201,713	191,023
Jewish Community Foundation	1,419,473	1,336,648
Other	267,827	248,125
Total Milwaukee programs	\$ 11,004,394	\$ 10,244,238

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 17      Income Taxes

The provision for income taxes is included in Milwaukee programs on the consolidated statements of activities and consists of the following:

	2014	2013
Current tax provision:		
Federal	\$ 59,718	\$ 34,600
State	16,548	10,900
<b>Total current tax provision</b>	<b>76,266</b>	<b>45,500</b>
Deferred tax provision (benefit):		
Federal	208,000	(208,000)
State	52,000	(52,000)
<b>Total deferred tax provision (benefit)</b>	<b>260,000</b>	<b>(260,000)</b>
<b>Total provision for income taxes</b>	<b>\$ 336,266</b>	<b>\$ (214,500)</b>

Net deferred tax assets are classified in the accompanying consolidated statements of financial position as follows:

	2014	2013
Current liabilities	\$ (10,000)	\$ -
Long-term assets	10,000	260,000
<b>Net deferred tax asset</b>	<b>\$ -</b>	<b>\$ 260,000</b>

Noncurrent deferred tax assets are included in other assets in the accompanying statements of financial position and are the result of differences in the basis and depreciation methods of the rental property and the deferred financing costs related to the HUD-insured mortgage note. Current deferred tax liabilities are a result of prepaid insurance being deducted for tax purposes when paid.



# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 18 Concentration of Credit Risk

The Federation maintains depository relationships with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Depository accounts at these institutions are insured by the FDIC up to specified limits. Balances in excess of FDIC limits are uninsured. The Federation has not experienced any losses with these accounts and management believes the Federation is not exposed to any significant risk on cash and cash equivalents.

### Note 19 Subsequent Events

#### Community Allocations

In July 2014, the Board of Directors approved commitments for community allocations for fiscal 2015, as follows:

Allocations to local agencies	\$ 2,365,765
Allocations to national agencies	233,182
Allocations to Israel and overseas	927,700
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Total community allocations for fiscal 2015	<u>\$ 3,526,647</u>

#### Significant Bequest

The Federation was notified that it was listed as a primary benefactor in a will that was declared valid by the probate court on July 21, 2014. The total net estate bequest to the Federation is anticipated to be approximately \$7,500,000 and is pending the settlement of tax concerns for other named beneficiaries. As the date of completion of probate proceedings occurred subsequent to June 30, 2014, the amount has not been recognized in the consolidated statements of activities as support for the year ended June 30, 2014.

### Note 20 Reclassifications

Certain amounts as previously reported in the 2013 consolidated financial statements have been reclassified to conform to the 2014 presentation. Such reclassifications had no effect upon net assets or the change in net assets.