

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

Milwaukee, Wisconsin

Consolidated Financial Statements

Years Ended June 30, 2013 and 2012

Milwaukee Jewish Federation, Inc. and Affiliates

Consolidated Financial Statements

Years Ended June 30, 2013 and 2012

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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. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Correction of an Error

As discussed in Note 19 to the consolidated financial statements, certain errors resulting in an understatement of amounts previously reported for pledges receivable, other assets, and campaign support revenue and an overstatement of real estate held for sale as of June 30, 2012, were discovered by management of Milwaukee Jewish Federation, Inc. and Affiliates during the current year. Accordingly, amounts reported for pledges receivable, other assets, real estate held for sale, and campaign support revenue have been restated in the 2012 consolidated financial statements now presented, and an adjustment has been made to unrestricted net assets and temporarily restricted net assets as of July 1, 2011 to correct the error. Our opinion is not modified with respect to that matter.

Wipfli LLP

Wipfli LLP

November 13, 2013
Milwaukee, Wisconsin

Milwaukee Jewish Federation, Inc. and Affiliates

Consolidated Statements of Financial Position

June 30, 2013 and 2012

<i>Assets</i>	2013	2012 (Restated)
Current assets:		
Cash and cash equivalents	9,275,926	\$ 7,864,025
Current portion of pledges receivable	5,249,882	5,037,278
Current portion of accounts and note receivable	658,327	258,268
Prepaid expenses	306,540	144,367
Total current assets	15,490,675	13,303,938
Long-term assets:		
Investments, at fair value	119,807,805	111,700,186
Property and equipment - Net	46,828,492	48,919,733
Pledges receivable, less current portion	308,204	546,413
Accounts and notes receivable - Net, less current portion	308,788	251,684
Real estate held for sale	2,471,363	2,616,095
Other assets	4,262,711	3,050,953
Total long-term assets	173,987,363	167,085,064
TOTAL ASSETS	\$ 189,478,038	\$ 180,389,002

<i>Liabilities and Net Assets</i>	2013	2012 (Restated)
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,196,811	\$ 785,888
Community allocations payable	4,236,888	4,631,502
Current maturities of long-term debt	117,207	302,306
Post-retirement benefit liability	33,400	33,400
Current payments on trusts and gift annuities	287,410	259,605
Total current liabilities	5,871,716	6,012,701
Long-term liabilities:		
Long-term debt, less current maturities	60,182,950	56,237,242
Payments on trusts and gift annuities, less current portion	3,097,899	3,871,372
Passport to Israel	557,084	708,557
Interest rate swaps	5,571,403	7,703,349
Assets held on behalf of cemetery	3,001,535	2,899,360
Total long-term liabilities	72,410,871	71,419,880
Total liabilities	78,282,587	77,432,581
Net assets:		
Unrestricted	65,205,716	59,901,292
Temporarily restricted	45,989,735	43,055,129
Total net assets	111,195,451	102,956,421
TOTAL LIABILITIES AND NET ASSETS	\$ 189,478,038	\$ 180,389,002

Milwaukee Jewish Federation, Inc. and Affiliates

Consolidated Statements of Activities

Years Ended June 30, 2013 and 2012

	2013		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Campaign support:			
Annual and capital campaign support	\$ 6,792,745	\$ -	\$ 6,792,745
Campaign payments from fund transfers	(2,623,892)	-	(2,623,892)
Total campaign support	4,168,853	-	4,168,853
Other contribution support	11,458,064	2,398,884	13,856,948
Investment income	5,998,921	5,411,205	11,410,126
Rental income	2,979,939	-	2,979,939
Programs and events revenue	904,268	-	904,268
Impairment loss on real estate held for sale	(144,732)	-	(144,732)
Other income	653,658	175,435	829,093
Net assets released from restrictions	5,050,918	(5,050,918)	-
Total support and revenue	31,069,889	2,934,606	34,004,495
Expenses:			
Allocations to local agencies	2,385,804	-	2,385,804
Allocations to national agencies	249,749	-	249,749
Allocations to Israel and overseas	1,575,724	-	1,575,724
Grants	10,228,201	-	10,228,201
Milwaukee programs	10,244,238	-	10,244,238
Scholarships	625,051	-	625,051
Administration and planning	1,317,155	-	1,317,155
Fundraising	1,271,489	-	1,271,489
Total expenses	27,897,411	-	27,897,411
Change in net assets before gain/loss on interest rate swaps	3,172,478	2,934,606	6,107,084
Gain (loss) on interest rate swaps	2,131,946	-	2,131,946
Total change in net assets	5,304,424	2,934,606	8,239,030
Net assets at beginning of year, restated for July 1, 2011	59,901,292	43,055,129	102,956,421
Net assets at end of year	\$ 65,205,716	\$ 45,989,735	\$ 111,195,451

2012 (Restated)		
Unrestricted	Temporarily Restricted	Total
\$ 6,632,547	\$ -	\$ 6,632,547
(3,510,817)	-	(3,510,817)
3,121,730	-	3,121,730
6,998,519	4,165,191	11,163,710
625,902	115,387	741,289
2,747,370	-	2,747,370
662,944	-	662,944
(254,625)	-	(254,625)
1,159,289	274,614	1,433,903
4,263,377	(4,263,377)	-
19,324,506	291,815	19,616,321
2,542,564	-	2,542,564
25,003	-	25,003
1,946,952	-	1,946,952
7,062,374	-	7,062,374
10,784,274	-	10,784,274
583,030	-	583,030
1,304,496	-	1,304,496
1,189,766	-	1,189,766
25,438,459	-	25,438,459
(6,113,953)	291,815	(5,822,138)
(3,345,316)	-	(3,345,316)
(9,459,269)	291,815	(9,167,454)
69,360,561	42,763,314	112,123,875
\$ 59,901,292	\$ 43,055,129	\$ 102,956,421

See accompanying notes to financial statements.

Milwaukee Jewish Federation, Inc. and Affiliates

Consolidated Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012 (Restated)
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 8,239,030	\$ (9,167,454)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt expense	55,807	106,539
Depreciation	2,445,485	2,505,523
Loss on disposal of property and equipment	-	2,956
Net realized and unrealized (gains) losses on investments	(8,683,966)	1,742,275
Donation of real estate received	-	(5,700)
Amortization of revenue bond issuance costs	22,534	18,924
Impairment loss on real estate held for sale	144,732	254,625
(Gain) loss on interest rate swap	(2,131,946)	3,345,316
Change in value of trusts	206,235	(297,490)
Deferred tax asset	(260,000)	-
Changes in operating assets and liabilities:		
Pledges receivable	(28,762)	612,162
Due from officer	-	139,234
Accounts and notes receivable	(458,603)	251,331
Prepaid expenses	(162,173)	282,358
Accounts payable and accrued expenses	410,923	148,928
Community allocations payable	(394,614)	(112,912)
Grants and allotments payable	-	(272,279)
Passport to Israel	(151,473)	(93,730)
Post-retirement benefit liability	-	(176,707)
Assets held on behalf of cemetery	102,175	(60,121)
Net cash used in operating activities	(644,616)	(776,222)

Milwaukee Jewish Federation, Inc. and Affiliates

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2013 and 2012

	2013	2012 (Restated)
Increase (decrease) in cash and cash equivalents (Continued):		
Cash flows from investing activities:		
Purchases of property and equipment	(354,244)	(200,233)
Purchase of investments	(55,408,541)	(90,188,604)
Proceeds from sales of investments	55,984,888	92,036,127
Increase in partnership interests	(20,745)	(7,136)
Increase in cash surrender value of life insurance	(42,926)	(20,401)
(Increase) decrease in reserve and replacement funds for HUD properties	(541,501)	41,936
Net cash provided by (used in) investing activities	(383,069)	1,661,689
Cash flows from financing activities:		
Revenue bond and HUD-insured note issuance costs	(369,120)	-
Payments to trust beneficiaries	(951,903)	(237,107)
Proceeds from issuance of term note	3,902,150	-
Repayment on long-term debt	(141,541)	(168,150)
Net cash provided by (used in) financing activities	2,439,586	(405,257)
Net increase in cash and cash equivalents	1,411,901	480,210
Cash and cash equivalents at beginning of year	7,864,025	7,383,815
Cash and cash equivalents at end of year	\$ 9,275,926	\$ 7,864,025
Supplemental cash flow information:		
Cash paid for interest	\$ 1,897,748	\$ 1,937,067

Milwaukee Jewish Federation, Inc. and Affiliates

Consolidated Statement of Functional Expenses

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
Total expenses	\$ 1,317,155	\$ 1,271,489	\$ 21,646,166	\$ 3,662,601	\$ 27,897,411

Milwaukee Jewish Federation, Inc. and Affiliates

Consolidated Statement of Functional Expenses (Continued)

Year Ended June 30, 2012

	Administration and Planning	Fundraising	Local Allocations, Grants, Programs, and Awards	Israel, Overseas, and National Charities Allocations and Grants	Total
Allocations	\$ -	\$ -	\$ 2,542,564	\$ 1,971,955	\$ 4,514,519
Grants	-	-	5,390,977	1,671,397	7,062,374
Interest and related fees	-	-	2,282,953	-	2,282,953
Miscellaneous	-	-	399,140	-	399,140
Professional services	13,858	30,014	416,677	-	460,549
Buildings/Cemetery operations	-	-	2,398,852	-	2,398,852
Newspaper	-	-	156,467	-	156,467
Salaries and benefits	1,147,758	870,625	1,287,242	-	3,305,625
Marketing and communications	-	48,881	121,598	-	170,479
Office operations	48,050	74,761	64,587	-	187,398
Occupancy and insurance	53,721	61,894	139,998	-	255,613
Information systems administration	12,564	7,521	6,061	-	26,146
Professional development	4,814	8,901	3,515	-	17,230
Programs and events	23,731	87,169	1,001,661	-	1,112,561
Scholarships and awards	-	-	583,030	-	583,030
Depreciation	-	-	2,505,523	-	2,505,523
Total expenses	\$ 1,304,496	\$ 1,189,766	\$ 19,300,845	\$ 3,643,352	\$ 25,438,459

See accompanying notes to financial statements.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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.; four corporations, MJF Housing, Inc., 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”); fourteen charitable trusts; and one supporting foundation (Jewish Community Foundation) (collectively the “Federation”). All material intercompany balances and transactions have been eliminated in the consolidation.

MJF Golda Meir Housing, Inc. was incorporated as a for-profit corporation in February 2012 for the purpose of acquiring the assets of MJF Housing, Inc.

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”).

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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.

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).

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

Fair Value Measurements (Continued)

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.

- 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.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

Pledges Receivable (Continued)

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.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a 2% rate for the years ended June 30, 2013 and 2012. 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.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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.

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 \$144,732 and \$254,625 during the years ended June 30, 2013, and 2012, respectively. Property assessments were utilized in determining fair value of the real estate.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

Revenue Bond Issuance Costs

Revenue bond 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.

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 approved by the Board of Directors in June and paid the following fiscal year.

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

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 actuarially 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 \$4,958,967 and \$5,696,907 at June 30, 2013 and 2012, respectively, 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

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 on the consolidated statements of financial position. The excess of cemetery assets over liabilities is recorded as a liability in the 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, 2013 and 2012.

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 campaign support on the accompanying consolidated statements of activities.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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 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

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 2010 and beyond remain subject to examination by the applicable taxing authorities.

Subsequent Events

Subsequent events have been evaluated through November 13, 2013, which is the date the financial statements were issued.

Note 2 **Cash and Cash Equivalents**

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

	2013	2012
Checking accounts and petty cash	\$ 4,070,892	\$ 4,324,310
Cash proceeds from tax-exempt bonds	76,648	173,866
Cash held by investment managers	5,128,386	3,365,849
Total cash and cash equivalents	\$ 9,275,926	\$ 7,864,025

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 fund holders in 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

Note 3 Pledges Receivable

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

	Gross Pledges Receivable	Collection Reserves	Unamortized Discount	Net Pledges Receivable
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

Pledges receivable at June 30, 2012 (restated) consisted of the following:

	Gross Pledges Receivable	Collection Reserves	Unamortized Discount	Net Pledges Receivable
Annual campaigns	\$ 4,770,839	\$ (793,214)	\$ -	\$ 3,977,625
Community capital campaign	1,511,405	(312,313)	(43,559)	1,155,533
Other campaigns	450,533	-	-	450,533
Totals	\$ 6,732,777	\$ (1,105,527)	\$ (43,559)	\$ 5,583,691

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 3 Pledges Receivable (Continued)

Pledges receivable are expected to be collected as follows:

	2013	2012 (Restated)
Less than one year	\$ 5,984,039	\$ 5,754,777
One to five years	642,275	978,000
Gross pledges receivable	6,626,314	6,732,777
Less:		
Unamortized discount	24,283	43,559
Collection reserves	1,043,945	1,105,527
Pledges receivable - Net	5,558,086	5,583,691
Less: Current portion	5,249,882	5,037,278
Pledges receivable - Net, less current portion	\$ 308,204	\$ 546,413

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4 Accounts and Notes Receivable

Accounts and notes receivable included the following at June 30:

	2013	2012
Receivable from charitable trust	\$ 227,331	\$ 171,467
Loan to Jewish Community Center	100,000	150,000
WJGBP insurance receivable	85,529	52,275
Bequests receivable	306,500	-
Note receivable	88,473	-
Mortgage loan receivable	45,364	45,386
Receivable from supporting foundation	-	25,000
Student loans receivable	10,426	15,956
Rent receivable	25,528	16,440
Other receivables	79,416	36,563
Gross accounts and notes receivable	968,567	513,087
Less: Allowance for doubtful accounts	1,452	3,135
Total accounts and notes receivable - Net	967,115	509,952
Less: Current portion	658,327	258,268
Accounts and notes receivable - Net, less current portion	\$ 308,788	\$ 251,684

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:

	2013	2012
State of Israel bonds	\$ 2,226,700	\$ 2,673,000
Corporate, U.S. government, and municipal bonds	18,917,947	24,384,245
Common and preferred stock	13,609,440	16,510,678
Mutual funds	51,589,718	47,436,887
Alternative investments	33,464,000	20,695,376
Total investments	\$ 119,807,805	\$ 111,700,186

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

	2013	2012
Interest income	\$ 1,277,674	\$ 1,398,507
Dividend income	1,448,486	1,085,057
Unrealized gains (losses)	6,888,597	(2,874,683)
Realized gains	1,795,369	1,132,408
Total investment income	\$ 11,410,126	\$ 741,289

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

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 net asset value (NAV) and to transact at that price. The mutual funds held by the Plan 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 at the estimated amount that the Federation would receive or pay to sell or transfer the swaps to another entity with the same credit standing at the reporting date taking into account current interest rates and the creditworthiness of the counterparty.
- 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, 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 swap	-	5,571,403	-	5,571,403
Post-retirement benefit liability	-	-	33,400	33,400
Total liabilities	\$ -	\$ 8,956,712	\$ 33,400	\$ 8,990,112

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, 2012 (restated), was as follows:

	Fair Value Measurements Using			Total at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
State of Israel bonds	\$ -	\$ 2,673,000	\$ -	\$ 2,673,000
Corporate bonds	-	11,912,446	-	11,912,446
U.S. government and municipal bonds	-	12,471,799	-	12,471,799
Common stock:				
Domestic equities	16,165,038	-	-	16,165,038
Foreign equities	335,876	-	-	335,876
Preferred stock	9,764	-	-	9,764
Equity mutual funds:				
Domestic equities	31,166,524	-	-	31,166,524
Foreign equities	565,608	-	-	565,608
Fixed income mutual funds	15,704,755	-	-	15,704,755
Alternative investments:				
Private equity funds	-	-	744,053	744,053
Hedge funds	-	-	1,102,843	1,102,843
Other alternative investments	-	-	4,510,096	4,510,096
Other structured products	-	-	14,338,384	14,338,384
Total investments	63,947,565	27,057,245	20,695,376	111,700,186
Cash equivalents	-	3,365,849	-	3,365,849
Pledges receivable	-	5,583,691	-	5,583,691
Total assets	\$ 63,947,565	\$ 36,006,785	\$ 20,695,376	\$ 120,649,726

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, 2012, was as follows:

	Fair Value Measurements Using			Total at Fair Value
	Level 1	Level 2	Level 3	
Future payments on trusts and gift annuities	\$ -	\$ 4,130,977	\$ -	\$ 4,130,977
Interest rate swap	-	7,703,349	-	7,703,349
Post-retirement benefit liability	-	-	33,400	33,400
Total liabilities	\$ -	\$ 11,834,326	\$ 33,400	\$ 11,867,726

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, 2013 and 2012:

	Alternative Investments	Post-Retirement Benefit Liability
Balance, July 1, 2011	\$ 13,088,057	\$ (210,107)
Income (loss)	(978,561)	176,707
Net purchases and sales	8,585,880	-
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)

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 6 Fair Value Measurements (Continued)

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

	Fair Value June 30, 2013	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds:				
GS Hedge Fund Partners Plus, LTD Class A Series 1 (A)	\$ 58,172	-	In liquidation	-
GS Investment Partners (B)	317,323	-	In liquidation	-
Other alternative investments and structured products:				
EnTrust Capital Diversified Fund QP LTD (C)	2,111,120	-	I	I
Rock Creek Georgetown Fund LTD (D)	8,897,572	-	II	II
Stark Investments (E)	648,940	-	III	III
Greenlight Capital (F)	2,121,365	-	NAV on June 30	45 Days
PRISA fund (G)	8,620,560	\$ 600,000	Quarterly	90 Days
AQR Global Risk Premium Enhanced Liquidity Fund (H)	4,563,607	-	Weekly	5 Days
Crescent Capital (I)	5,427,875	-	IV	IV
Private equity funds:				
GS Vintage Fund IV Offshore, L.P. (J)	481,696	156,505	V	V
GS Distressed Opportunities Fund IV (K)	215,770	228,441	V	V

- I. The initial lockup from June 7, 2013, funding is one year. After the lock-up period, the funds call for periodic redemptions each calendar quarter with 90 days notice.
- II. The initial lockup from June 30, 2013, funding is three years. After the lock-up period, the funds call for periodic redemptions each calendar quarter with 90 days notice.
- III. These funds are currently in the liquidation process. Liquidity is determined by market conditions. Full liquidation is expected within 12 months.
- 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.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 6 Fair Value Measurements (Continued)

- (A) The Goldman Sachs (“GS”) Hedge Fund Partners Plus, LTD Class A series 1 is currently in liquidation.
- (B) GS 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.
- (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.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 6 Fair Value Measurements (Continued)

- (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 is 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 PRISA 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 vehicle 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.
- (H) 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- 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 combination of these investments.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 6 Fair Value Measurements (Continued)

- (I) 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 engage in a bankruptcy-type reorganization. As a secondary objective, Crescent Capital seeks capital appreciation, but only when consistent with the primary investment objective.
- (J) GS 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 coinvestments. 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.
- (K) GS Distressed Opportunities Fund 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.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 7 Property and Equipment

Property and equipment consisted of the following at June 30:

	2013	2012
Land and improvements	\$ 3,364,576	\$ 3,332,523
Buildings	61,171,578	60,917,623
Equipment	7,193,745	7,247,408
Construction in progress	55,425	27,424
Total property and equipment	71,785,324	71,524,978
Less - Accumulated depreciation	24,956,832	22,605,245
Property and equipment - Net	\$ 46,828,492	\$ 48,919,733

Note 8 Other Assets

Other assets consisted of the following at June 30:

	2013	2012 (Restated)
Partnership interests	\$ 386,358	\$ 365,613
Cash surrender value of life insurance policies	1,547,784	1,504,858
Revenue bond issuance costs - Net	598,492	422,928
Reserve and replacement funds for HUD properties	1,299,055	757,554
Deferred tax asset and other	431,022	-
Total other assets	\$ 4,262,711	\$ 3,050,953

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:

	2013	2012
Colorado Educational and Cultural Facilities Authority Demand Revenue Bonds, Series C-1. The bonds were refinanced in December 2012.	\$ -	\$ 48,715,000
Colorado Education and Cultural Facilities Authority Demand Revenue Bonds, Series C-5. The bonds were refinanced in December 2012.	-	5,625,000
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, 2013.	54,340,000	-
HUD-insured 7.65% Mortgage Note. This mortgage note was refinanced in January 2013.	-	2,067,881
HUD-insured 2.50% Mortgage Note, with monthly principal and interest payments of \$20,992 through February 2048.	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.	123,302	131,667
Total long-term debt	60,300,157	56,539,548
Less current maturities	117,207	302,306
Long-term portion	\$ 60,182,950	\$ 56,237,242

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 9 Long-Term Debt (Continued)

Demand Revenue Bonds

In 2005, the Federation issued \$46,015,000 in tax-exempt variable rate demand revenue bonds (the "Series C-1 Bonds") through the Colorado Educational and Cultural Facilities Authority as part of the National Jewish Federation Bond Program. In addition, \$2,700,000 of outstanding bonds were refinanced for a total debt of \$48,715,000. The bonds were refinanced in December 2012.

In 2008, the Federation issued an additional \$7,000,000 in tax-exempt variable rate demand revenue bonds (the "Series C-5 Bonds") using the same issuing authority and bond program. The bonds were refinanced in December 2012.

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 the Series C-1 and C-5 Bonds. Principal of \$48,715,000 is due September 2035 with the remaining principal balance due in November 2037.

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, 2013 and 2012, \$76,648 and \$173,866 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, 2013, management believes the Federation was in compliance with all established covenants.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 9 Long-Term Debt (Continued)

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 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.

Term Loan

The Federation has a note payable to U.S. Bank requiring monthly principal payments of \$833 plus interest at a fixed rate of 3.30%. A balloon payment of outstanding principal and interest is due in June 2019.

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	
2014	\$ -	\$ 107,207	\$ 10,000	\$ 117,207	
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	
Thereafter	54,340,000	5,273,014	73,302	59,686,316	
Total	\$ 54,340,000	\$ 5,836,855	\$ 123,302	\$ 60,300,157	

Interest expense for the years ended June 30, 2013 and 2012 was \$2,025,381 and \$1,806,045, respectively.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 10 Interest Rate Swaps

As disclosed in Note 9, the Series C-1, C-5, and O-1 Bonds totaling \$54,340,000 bear interest at variable rates. To minimize the effect of changes in the market, the Federation has 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.

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, 2013 and 2012 and the amount of exposure recorded in unrestricted net assets for the years ended June 30, 2013 and 2012. The swap agreements are included in long-term liabilities in the accompanying consolidated statements of financial position. The classification of gain (loss) is recorded in the consolidated statements of activities as gain (loss) on interest rate swaps

	As of June 30, Asset (Liability)		Year Ended June 30, Gain (Loss)	
	2013	2012	2013	2012
First interest rate swap	\$ (5,493,204)	\$ (7,703,349)	\$ 2,210,145	\$ (3,345,316)
Second interest rate swap	(768,533)	-	(768,533)	-
Third interest rate swap	690,334	-	690,334	-
Totals	\$ (5,571,403)	\$ (7,703,349)	\$ 2,131,946	\$ (3,345,316)

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 10 Interest Rate Swaps (Continued)

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, 2013.

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:

	2013	2012 (Restated)
Unrestricted reserves	\$ 873,059	\$ 3,427,666
Donor-designated funds	12,930,783	15,992,717
Net investment in property and equipment	13,134,519	7,964,405
Supporting foundations	151,196	133,859
Donor-advised funds	38,116,159	32,382,645
Total unrestricted net assets	<u>\$ 65,205,716</u>	<u>\$ 59,901,292</u>

- Unrestricted reserves consist of lifetime gifts, bequests, and the investment return on all funds within this category. Distributions are made in 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.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 11 Unrestricted and Temporarily Restricted Net Assets

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:

	2013	2012 (Restated)
Residual value of trusts and gift annuities	\$ 1,734,117	\$ 1,708,970
Scholarships, grants, and awards	5,469,276	4,095,273
Purpose-restricted	2,983,691	2,602,521
Restricted for agencies	33,058,783	31,708,370
PACE/LOJE funds	2,107,868	1,961,995
Time-restricted - Annual campaign	400,000	500,000
Time-restricted - Capital campaign	236,000	478,000
Total temporarily restricted net assets	\$ 45,989,735	\$ 43,055,129

- 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.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 11 Unrestricted and Temporarily Restricted Net Assets (Continued)

Temporarily Restricted Net Assets

- 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 – Annual and Capital campaign relates to the annual and capital campaign pledges that are due in future periods.

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:

	2013	2012 (Restated)
Residual value of trusts and gift annuities	\$ 515,438	\$ 759,044
Scholarships, grants, and awards	617,317	634,466
Purpose-restricted	53,793	81,443
Restricted for agencies	3,449,396	2,268,033
PACE/LOJE funds	72,974	118,891
Time-restricted - Annual campaign	100,000	100,000
Time-restricted - Capital campaign	242,000	301,500
Net assets released from restrictions	\$ 5,050,918	\$ 4,263,377

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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.

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, 2013 and 2012. Benefit plan expense was \$78,013 and \$82,932 for the fiscal years ended June 30, 2013 and 2012, 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. All business transactions involving Board members and other related parties occur at arm's length, and Board members abstain from voting on business transactions that involve any potential related parties.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

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; accordingly, no liability has been recorded for the environmental remediation at June 30, 2013 and 2012.

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 \$7,094,169 are held at the Federation, and the Federation would use these investments, if needed, under the guarantee.

Note 16 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.

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 17 Milwaukee Programs

Milwaukee programs on the statements of activities for the years ended June 30 includes the following:

	2013	2012
Federation direct services	\$ 1,252,126	\$ 1,306,923
HUD properties	795,670	942,945
Federation properties	6,360,816	6,387,104
Reimagining project	59,830	537,436
Jewish Community Relations Council	191,023	153,871
Jewish Community Foundation	1,336,648	1,230,768
Other	248,125	225,227
Total Milwaukee programs	\$ 10,244,238	\$ 10,784,274

Note 18 Income Taxes

The provision for income taxes consists of the following:

	2013	2012
Current tax provision:		
Federal	\$ 34,600	\$ -
State	10,900	-
Total current	45,500	-
Deferred tax provision:		
Federal	(208,000)	-
State	(52,000)	-
Total deferred	(260,000)	-
Total provision for income taxes	\$ (214,500)	\$ -

Milwaukee Jewish Federation, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 18 **Income Taxes** (Continued)

The deferred tax asset of \$260,000 as of June 30, 2013 is included in other assets in the accompanying statements of financial position and is classified as non-current. There were no deferred tax assets as of June 30, 2012. The deferred tax asset is the result of differences in the basis and depreciation methods of the rental property and the deferred finance costs related to the HUD-insured mortgage note.

Note 19 **Prior Period Adjustments and Restated Financial Statement**

Temporarily restricted net assets at July 1, 2011 and pledges receivable in 2012 were increased by \$600,000 to correct an error. In 2008, the Federation received a \$1,000,000 pledge, payable in annual installments of \$100,000. GAAP requires that the pledge should have been recorded when received in 2008, however; the Federation improperly recognized the revenue when the payments were received. This error decreased the change in net assets by \$100,000 as previously reported for the year ended June 30, 2012, as this amount had been reported as a contribution in 2012.

Unrestricted net assets at July 1, 2011 were increased by a total of \$1,139,682. This increase consists of two errors. The first error relates to the cash surrender value of life insurance policies that the Federation received but failed to record in 2005. This error increased other assets and unrestricted net assets by \$1,370,282. The second error relates to an overstatement of an interest in real estate that was conveyed to the Federation in 2010. The Federation recorded the full value of the real estate when only a 50% interest should have been recorded. This error decreased real estate held for sale and unrestricted net assets by \$230,600. These errors did not have any impact on the change in net assets for the year ended June 30, 2012.