

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

Milwaukee, Wisconsin

**Consolidated Financial Statements**

Years Ended June 30, 2011 and 2010

# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Financial Statements and Additional Information

Years Ended June 30, 2011 and 2010

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## Independent Auditor's Report

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

We have audited the consolidated statement of financial position of Milwaukee Jewish Federation, Inc. and Affiliates (the "Organization") as of June 30, 2011, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Milwaukee Jewish Federation, Inc. and Affiliates as of and for the year ended June 30, 2010, were audited by other auditors whose report dated November 5, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 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, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

*Wipfli LLP*

Wipfli LLP

November 8, 2011  
Milwaukee, Wisconsin

# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Statements of Financial Position

June 30, 2011 and 2010

<i>Assets</i>	2011	2010
Current assets:		
Cash and cash equivalents	\$ 7,383,815	\$ 11,106,076
Current portion of pledges receivable	5,251,511	5,945,782
Current portion of due from officer	139,234	-
Current portion of accounts and notes receivable	366,904	574,933
Prepaid expenses	426,725	89,676
Total current assets	13,568,189	17,716,467
Long-term assets:		
Investments, at fair value	115,289,984	101,156,090
Property and equipment - Net	51,227,979	53,444,424
Pledges receivable, less current portion	450,638	816,034
Due from officer, less current portion	-	139,234
Accounts and notes receivable - Net, less current portion	394,622	270,405
Real estate held for sale	3,095,620	2,985,620
Other assets	1,713,994	1,997,237
Total long-term assets	172,172,837	160,809,044
<b>TOTAL ASSETS</b>	<b>\$ 185,741,026</b>	<b>\$ 178,525,511</b>

<i>Liabilities and Net Assets</i>	2011	2010
Current liabilities:		
Accounts payable	\$ 636,960	\$ 1,036,750
Community allocations payable	4,744,414	4,938,201
Grants and allotments payable	272,279	205,080
Current maturities of long-term debt	168,150	146,575
Current portion of post-retirement benefit liability	176,707	-
Current payments on trusts and gift annuities	389,965	376,172
Total current liabilities	6,388,475	6,702,778
Long-term liabilities:		
Long-term debt, less current maturities	56,539,548	57,941,031
Post-retirement benefit liability, less current portion	33,400	461,440
Payments on trusts and gift annuities, less current portion	4,275,609	4,038,163
Passport to Israel	802,287	834,564
Interest rate swap	4,358,033	4,940,536
Assets held on behalf of cemetery	2,959,481	2,720,878
Total long-term liabilities	68,968,358	70,936,612
Total liabilities	75,356,833	77,639,390
Net assets:		
Unrestricted	68,220,879	65,117,122
Temporarily restricted	42,163,314	35,768,999
Total net assets	110,384,193	100,886,121
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 185,741,026</b>	<b>\$ 178,525,511</b>

# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Statements of Activities

Years Ended June 30, 2011 and 2010

	2011		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Campaign support:			
Annual and capital campaign support	\$ 7,429,718	\$ -	\$ 7,429,718
Campaign payments from fund transfers	(4,026,467)	-	(4,026,467)
Total campaign support	3,403,251	-	3,403,251
Other contribution support	8,862,698	3,666,352	12,529,050
Investment income	9,499,269	6,447,368	15,946,637
Impairment loss on real estate held for sale	-	-	-
Rental income	3,021,491	121,157	3,142,648
Programs and events revenue	747,834	-	747,834
Other income	833,099	136,563	969,662
Net assets released from restrictions	3,325,996	(3,325,996)	-
Total support and revenue	29,693,638	7,045,444	36,739,082
Expenses:			
Allocations to local agencies	2,785,489	-	2,785,489
Allocations to national agencies	93,150	-	93,150
Allocations to Israel and overseas	1,865,900	-	1,865,900
Grants	8,891,694	-	8,891,694
Milwaukee programs	11,450,373	-	11,450,373
Scholarships	498,598	-	498,598
Administration and planning	1,021,127	-	1,021,127
Fundraising	1,217,182	-	1,217,182
Total expenses	27,823,513	-	27,823,513
Change in net assets before transfers and gain/loss on interest rate swap	1,870,125	7,045,444	8,915,569
Gain (loss) on interest rate swap	582,503	-	582,503
Transfers	651,129	(651,129)	-
Total change in net assets	3,103,757	6,394,315	9,498,072
Net assets at beginning of year	65,117,122	35,768,999	100,886,121
Net assets at end of year	\$ 68,220,879	\$ 42,163,314	\$ 110,384,193

2010		
Unrestricted	Temporarily Restricted	Total
\$ 6,148,465	\$ -	\$ 6,148,465
(4,255,608)	-	(4,255,608)
1,892,857	-	1,892,857
10,913,084	2,407,896	13,320,980
3,806,476	4,384,445	8,190,921
(4,830,775)	-	(4,830,775)
2,987,422	96,052	3,083,474
413,749	-	413,749
957,854	162,842	1,120,696
4,635,222	(4,635,222)	-
20,775,889	2,416,013	23,191,902
2,772,207	-	2,772,207
93,025	-	93,025
1,963,200	-	1,963,200
8,550,631	-	8,550,631
9,949,263	-	9,949,263
539,636	-	539,636
1,096,616	-	1,096,616
1,365,844	-	1,365,844
26,330,422	-	26,330,422
(5,554,533)	2,416,013	(3,138,520)
(2,583,402)	-	(2,583,402)
797,921	(797,921)	-
(7,340,014)	1,618,092	(5,721,922)
72,457,136	34,150,907	106,608,043
\$ 65,117,122	\$ 35,768,999	\$ 100,886,121

See accompanying notes to financial statements

# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 9,498,072	\$ (5,721,922)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,476,631	2,434,062
Loss on disposal of property and equipment	5,911	-
Net realized and unrealized gains on investments	(12,879,245)	(5,758,252)
Donation of real estate received	(475,000)	-
Amortization of revenue bond issuance costs	17,931	17,931
Gain on sale of real estate held for sale	(146,366)	-
(Gain) loss on interest rate swap	(582,503)	2,583,402
Change in value of trusts	629,439	384,134
Impairment loss on real estate held for resale	-	4,830,775
Changes in operating assets and liabilities:		
Pledges receivable	1,059,667	3,637,356
Accounts and notes receivable	83,812	628,233
Prepaid expenses	(337,049)	42,618
Accounts payable	(399,790)	239,020
Community allocations payable	(193,787)	(144,149)
Grants and allotments payable	67,199	3,027
Passport to Israel	(32,277)	(29,722)
Post-retirement benefit liability	(251,333)	(532,778)
Assets held on behalf of cemetery	238,603	511,223
Net cash provided by (used in) operating activities	(1,220,085)	3,124,958



# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2011 and 2010

	2011	2010
Increase (decrease) in cash and cash equivalents (continued):		
Cash flows from investing activities:		
Purchases of property and equipment	(332,565)	(578,189)
Proceeds from sale of property and equipment	66,468	-
Purchase of investments	(83,625,841)	(69,089,487)
Proceeds from sales of investments	82,371,192	62,322,261
Proceeds from the sale of real estate held for sale	511,366	-
Decrease (increase) in partnership interests	(5,604)	5,625
Decrease (increase) in cash surrender value of life insurance	367,698	(6,009)
Increase in reserve and replacement funds for HUD properties	(96,782)	(53,265)
<b>Net cash used in investing activities</b>	<b>(744,068)</b>	<b>(7,399,064)</b>
Cash flows from financing activities:		
Payments to trust beneficiaries	(378,200)	(365,594)
Proceeds from issuance of term note	150,000	-
Repayment on long-term debt	(1,529,908)	(135,846)
<b>Net cash used in financing activities</b>	<b>(1,758,108)</b>	<b>(501,440)</b>
Net decrease in cash and cash equivalents	(3,722,261)	(4,775,546)
Cash and cash equivalents at beginning of year	11,106,076	15,881,622
<b>Cash and cash equivalents at end of year</b>	<b>\$ 7,383,815</b>	<b>\$ 11,106,076</b>
Supplemental cash flow information:		
Cash paid for interest	\$ 2,032,765	\$ 2,295,499

# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2011

	Administration and Planning	Fundraising	Local Allocations, Grants, Programs, and Awards	Israel, Overseas, and National Charities Allocations and Grants	Total
Allocations	\$ -	\$ -	\$ 2,785,489	\$ 1,959,050	\$ 4,744,539
Grants	-	-	5,487,145	3,404,549	8,891,694
Interest	-	-	2,054,483	-	2,054,483
Miscellaneous	125	19	593,283	-	593,427
Professional services	19,635	44,310	1,162,407	-	1,226,352
Buildings/Cemetery operations	-	-	2,420,516	-	2,420,516
Newspaper	-	-	47,246	-	47,246
Salaries and benefits	853,853	856,302	1,439,646	-	3,149,801
Marketing and communications	48	50,302	15,991	-	66,341
Office operations	44,924	74,854	195,623	-	315,401
Occupancy and insurance	55,950	74,683	608,256	-	738,889
Information systems administration	32,852	12,246	1,705	-	46,803
Professional development	10,153	9,984	-	-	20,137
Programs and events	3,587	94,482	434,586	-	532,655
Scholarships and awards	-	-	498,598	-	498,598
Depreciation	-	-	2,476,631	-	2,476,631
<b>Total expenses</b>	<b>\$ 1,021,127</b>	<b>\$ 1,217,182</b>	<b>\$ 20,221,605</b>	<b>\$ 5,363,599</b>	<b>\$ 27,823,513</b>

See accompanying notes to financial statements

# Milwaukee Jewish Federation, Inc. and Affiliates

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2010

	Administration and Planning	Fundraising	Local Allocations, Grants, Programs, and Awards	Israel, Overseas, and National Charities Allocations and Grants	Total
Allocations	\$ -	\$ -	\$ 2,772,207	\$ 2,056,225	\$ 4,828,432
Grants	-	-	4,663,136	3,887,495	8,550,631
Interest	-	-	2,295,499	-	2,295,499
Miscellaneous	12,363	8,467	288,310	-	309,140
Professional services	7,925	3,929	1,041,141	-	1,052,995
Buildings/Cemetery operations	-	-	1,672,038	-	1,672,038
Newspaper	-	-	76,058	-	76,058
Salaries and benefits	851,762	956,648	1,254,761	-	3,063,171
Marketing and communications	362	42,811	11,706	-	54,879
Office operations	28,033	65,465	186,558	-	280,056
Occupancy and insurance	62,625	77,697	380,728	-	521,050
Information systems administration	7,316	9,287	-	-	16,603
Professional development	2,000	1,500	9,318	-	12,818
Programs and events	124,230	200,040	299,084	-	623,354
Scholarships and awards	-	-	539,636	-	539,636
Depreciation	-	-	2,434,062	-	2,434,062
<b>Total expenses</b>	<b>\$ 1,096,616</b>	<b>\$ 1,365,844</b>	<b>\$ 17,924,242</b>	<b>\$ 5,943,720</b>	<b>\$ 26,330,422</b>

See accompanying notes to 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, 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, regulated by the U.S. Department of Urban Development (“HUD”), fourteen charitable trusts, one supporting foundation (Jewish Community Foundation), and MJF Holdings of Milwaukee, LLC., (collectively the “Federation”). All material intercompany balances and transactions have been eliminated in the consolidation.

#### **Basis of Presentation**

The Organization follows accounting standards contained in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) for nongovernmental entities.

#### **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 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 assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which is considered a fair measure of the value at the date of the donation). 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)

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% and a 5% rate for the years ended June 30, 2011 and 2010, respectively. The amortization of the discount is recognized as contribution income over the duration of the pledge.

#### **Due From Officer**

Included in the statements of financial position is a balance due from an officer of the Federation under a deferred compensation agreement.

#### **Accounts and Notes 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. Notes receivable represents an amount lent to certain individuals to purchase a property. The property is the collateral on the note. The note is due in monthly principal and interest payments of \$465 through August 1, 2014.

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

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### 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. In 2010, management determined that the real estate held for sale was impaired and recorded an impairment loss of \$4,830,775 in the accompanying consolidated statements of activities. Management has determined no property was impaired at June 30, 2011.



# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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

#### **Revenue Bond Issuance Costs**

Revenue bond issuance costs, included with other assets in 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 but are to be paid the following fiscal year.

#### **Passport to Israel**

Passport to Israel consists of funds held by the Federation on behalf of donors. The funds are used to send the donors' children to Israel.

# 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 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 a 5% rate and applicable mortality tables. Assets held in the trusts and gift annuities totaled \$4,665,574 and \$5,056,995 at June 30, 2011 and 2010, respectively, included in investments in the accompanying consolidated statements of financial position.

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

The post-retirement benefit liability consists of deferred compensation for an active and a retired officer. The Federation does not intend to offer deferred compensation to any other employees or officers.

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

Assets held on behalf of cemetery represents the excess of investments and other assets over accounts payable of a cemetery transferred to the Federation in 1988. That transfer may be revoked upon 60 days' notice to the Federation.

#### **Interest Rate Swap**

The Federation uses an interest rate swap 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 an interest rate swap. At the inception of the agreement, the Federation documented its risk management strategy and assessed the interest rate swap's effectiveness at producing offsetting cash flows. The interest rate swap was deemed effective in achieving this objective and has been designated as a cash flow hedge.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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

#### **Interest Rate Swap** (Continued)

The interest rate swap is 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 swap in the accompanying consolidated statements of activities.

#### **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, 2011 and 2010.

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

The Federation establishes donor funds to monitor contributions received. Donors may recommend transfers to various campaigns from established donor advised funds. The Federation presents these transfers as a reduction in support and revenue 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 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.

In accordance with FASB ASC 740, *Income Taxes*, 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 tax years 2007 and beyond remain subject to examination by the applicable taxing authorities.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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

#### Subsequent Events

Subsequent events have been evaluated through November 8, 2011, 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:

	2011	2010
Checking accounts and petty cash	\$ 3,840,834	\$ 5,542,045
Cash proceeds from tax-exempt bonds	176,450	2,226,324
Cash held by investment managers	3,366,531	3,337,707
<b>Total cash and cash equivalents</b>	<b>\$ 7,383,815</b>	<b>\$ 11,106,076</b>

The proceeds from tax exempt bonds (Note 9) can only be used for the financing of capital projects and cannot be used for the general operations of the Federation.

### Note 3 Pledges Receivable

Pledges receivable at June 30 consisted of the following:

	2011			
	Gross Pledges Receivable	Collection Reserves	Unamortized Discount	Net Pledges Receivable
Annual campaigns	\$ 4,118,798	\$ (542,650)	\$ -	\$ 3,576,148
Community capital campaign	2,457,363	(277,635)	(53,727)	2,126,001
Other campaigns	5,500	(5,500)	-	-
<b>Totals</b>	<b>\$ 6,581,661</b>	<b>\$ (825,785)</b>	<b>\$ (53,727)</b>	<b>\$ 5,702,149</b>

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 3 Pledges Receivable (Continued)

	2010			
	Gross Pledges Receivable	Collection Reserves	Unamortized Discount	Net Pledges Receivable
Annual campaigns	\$ 3,346,988	\$ (433,983)	\$ -	\$ 2,913,005
Community capital campaign	4,368,961	(277,635)	(263,381)	3,827,945
Other campaigns	21,016	(150)	-	20,866
<b>Totals</b>	<b>\$ 7,736,965</b>	<b>\$ (711,768)</b>	<b>\$ (263,381)</b>	<b>\$ 6,761,816</b>

Pledges receivable are expected to be collected as follows:

	2011	2010
Less than one year	\$ 5,794,161	\$ 6,379,765
One to five years	787,500	1,352,200
Over five years	-	5,000
Gross pledges receivable	6,581,661	7,736,965
Less:		
Unamortized discount	53,727	263,381
Collection reserves	825,785	711,768
Pledges receivable - Net	5,702,149	6,761,816
Less: Current portion	5,251,511	5,945,782
Pledges receivable - Net, less current portion	450,638	816,034

# 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:

	2011	2010
Receivable from charitable trust	\$ 190,800	\$ 189,740
Loan to Jewish Community Center	200,000	245,833
Mortgage loan receivable	105,405	105,800
Receivable from supporting foundation	141,667	115,000
Rent receivable	22,214	27,554
Other receivables	115,420	179,391
Gross accounts and notes receivable	775,506	863,318
Less: Allowance for doubtful accounts	13,980	17,980
Total accounts and notes receivable - Net	761,526	845,338
Less: Current portion	366,904	574,933
Accounts and notes receivable - Net, less current portion	\$ 394,622	\$ 270,405

### Note 5 Investments

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

	2011	2010
State of Israel bonds	\$ 3,737,300	\$ 4,496,800
Corporate, U.S. government, and municipal bonds	39,924,689	38,370,363
Mutual funds	56,803,305	49,192,734
Alternative investments	14,824,690	9,096,193
Total investments	\$ 115,289,984	\$ 101,156,090

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 5 Investments (Continued)

Included above are certain alternative investments with a market value of \$14,824,690 and \$9,096,193 at June 30, 2011 and 2010, respectively. For the years ended June 30, 2011 and 2010, the Federation recorded income of \$392,256 and losses of 2,964,723, respectively, related to these transactions within investment income in the accompanying consolidated statements of activities.

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

	2011	2010
Interest income	\$ 1,711,642	\$ 1,369,032
Dividend income	1,355,750	1,063,637
Unrealized gains	8,100,986	7,699,929
Realized gains (losses)	4,778,259	(1,941,677)
Total investment income	<u>\$ 15,946,637</u>	<u>\$ 8,190,921</u>

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.

### 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.



# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 6 Fair Value Measurements (Continued)

- Common and preferred stock is valued based on quoted market prices.
- Mutual funds are valued based at quoted market prices of the underlying funds or by using various pricing models when quoted prices are unavailable, and represent the NAV of shares held by the Federation at year end.
- 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 swap is valued at the estimated amount that the Federation would receive, pay to sell, or transfer the swap 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, 2011, was as follows:

	Fair Value Measurements Using			Total at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
State of Israel bonds	\$ -	\$ 4,049,800	\$ -	\$ 4,049,800
Corporate bonds	-	17,198,712	-	17,198,712
U.S. government and municipal bonds	-	22,040,774	-	22,040,774
Common stock:				
Domestic equities	6,781,521	-	-	6,781,521
Foreign equities	9,946,232	-	-	9,946,232
Preferred stock	969,238	-	-	969,238
Equity mutual funds:				
Domestic equities	36,401,990	-	-	36,401,990
Foreign equities	1,091,025	-	-	1,091,025
Fixed income mutual funds	3,722,635	-	-	3,722,635
Alternative investments:				
Private equity funds	-	-	719,110	719,110
Hedge funds	-	-	3,681,009	3,681,009
Other alternative investments	-	-	1,083,116	1,083,116
Other structured products	-	-	7,604,822	7,604,822
Total investments	58,912,641	43,289,286	13,088,057	115,289,984
Cash equivalents	-	3,366,531	-	3,366,531
Pledges receivable	-	5,702,149	-	5,702,149
Total assets	\$ 58,912,641	\$ 52,357,966	\$ 13,088,057	\$ 124,358,664

# 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, 2011, was as follows:

	Fair Value Measurements Using			Total at Fair Value
	Level 1	Level 2	Level 3	
Future payments on trusts and gift annuities	\$ -	\$ 4,665,574	\$ -	\$ 4,665,574
Interest rate swap	-	4,358,033	-	4,358,033
Post-retirement benefit liability	-	-	210,107	210,107
Total liabilities	\$ -	\$ 9,023,607	\$ 210,107	\$ 9,233,714

# 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, 2010, was as follows:

	Fair Value Measurements Using			Total at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
State of Israel bonds	\$ -	\$ 4,496,800	\$ -	\$ 4,496,800
Corporate bonds	-	6,214,834	-	6,214,834
Equity mutual funds:				
Domestic equities	36,617,243	-	-	36,617,243
Foreign equities	12,575,491	-	-	12,575,491
Fixed income mutual funds	32,655,529	-	-	32,655,529
Alternative investments:				
Private equity funds	-	-	511,832	511,832
Hedge funds	-	-	3,466,877	3,466,877
Other alternative investments	-	-	1,001,521	1,001,521
Other structured products	-	-	3,615,963	3,615,963
Total investments	81,848,263	10,711,634	8,596,193	101,156,090
Cash equivalents	-	3,337,707	-	3,337,707
Pledges receivable	-	6,761,816	-	6,761,816
Total assets	\$ 81,848,263	\$ 20,811,157	\$ 8,596,193	\$ 111,255,613

# 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, 2010, was as follows:

	Fair Value Measurements Using			Total at Fair Value
	Level 1	Level 2	Level 3	
Future payments on trusts and gift annuities	\$ -	\$ 4,038,163	\$ -	\$ 4,038,163
Interest rate swap	-	4,940,536	-	4,940,536
Post-retirement benefit liability	-	-	461,440	461,440
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 8,978,699</b>	<b>\$ 461,440</b>	<b>\$ 9,440,139</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, 2011 and 2010:

	Alternative Investments	Post-Retirement Benefit Liability
Balance, June 30, 2009	\$ 12,071,611	\$ (994,218)
Income (loss)	(3,464,723)	532,778
Net purchases and sales	(10,695)	-
Balance, June 30, 2010	8,596,193	(461,440)
Income (loss)	392,256	251,333
Net purchases and sales	3,117,834	-
Other	981,774	-
<b>Balance, June 30, 2011</b>	<b>\$ 13,088,057</b>	<b>\$ (210,107)</b>

# 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, 2011	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fund of funds:				
Goldman Sachs (GS) Credit Strategies Fund (A)	\$ 1,083,116	\$ -	Quarterly	Orderbook
Hedge funds:				
GS Hedge Fund Partners Plus, LTD Class A Series	101,548	-	In liquidation	
GS Investment Partners (C)	1,761,338	-	Quarterly	91 Days
GS Princeton Fund Series 1 (D)	852,271	-	Quarterly	90 Days
GS Princeton Fund Series 37 (D)	965,852	-	Quarterly	90 Days
Other structured products:				
Rock Creek Georgetown Fund LTD (E)	2,611,586	-	I	I
Stark Investments (F)	1,524,737	-	II	II
Greenlight Capital (G)	2,077,156	-	NAV on June 30	45 Days
PRISA fund (H)	1,391,343	1,140,000	Quarterly	90 Days
Private equity funds:				
GS Vintage Fund IV Offshore, L.P. (I)	552,360	205,194	III	III
GS Distressed Opportunities Fund IV (J)	166,750	325,502	III	III

- I. The initial lockup from June 30, 2011, funding is three years. After the lock-up period, the funds call for periodic redemptions each calendar quarter with 90 days notice.
- II. These funds are currently in the liquidation process. Liquidity is determined by market conditions. Full liquidation is expected within 24 months.
- III. These funds have a 10-year lockup period.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 6 Fair Value Measurements (Continued)

- (A) The Goldman Sachs Credit Strategies Fund is an interval fund which invests in fixed income securities, non-investment-grade securities (commonly known as “junk bonds”), and derivative instruments. The fund is “non-diversified” under the Investment Company Act of 1940 and may invest in a large percentage of assets in fewer issuers than “diversified” mutual funds. Because of the smaller number of stocks generally held in the fund’s portfolio, the fund may be subject to great risks than a more diversified fund.
- (B) The Goldman Sachs Hedge Fund Partners Plus, LTD Class A series 1 is currently in liquidation.
- (C) Goldman Sachs Investment Partners, L.P. is an opportunistic hedge fund with an equity long-short orientation that seeks to capitalize on asymmetric risk/reward opportunities worldwide.
- (D) Goldman Sachs Princeton Fund Series is a multistrategy fund with a global focus that provides access to leading hedge fund managers across the hedge fund universe, with a significant overweight to the Tactical Trading sector. The fund is managed with leverage ranging from 1.5 to 2.5 times and has an expected low beta to equity and fixed income market over a full market cycle.
- (E) 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.
- (F) The Stark Investments fund’s objective is to achieve attractive, consistent, and uncorrelated returns by engaging in a broad range of arbitrage strategies where attractive, undervalued positions have been identified. The fund invests, on a global basis, in listed and unlisted securities, common and preferred stocks, convertible securities, options, sovereign debt (developed and emerging market), corporate debt, investment and non-investment-grade debt, asset-backed securities, and equity and fixed income derivatives. In addition, the fund uses warrants, options, futures, currencies, credit derivatives, and swap instruments involving interest rates, currencies, equities, and other instruments.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 6 Fair Value Measurements (Continued)

- (G) 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.
- (H) PRISA 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. PRISA 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.
- (I) Goldman Sachs Vintage Funds are 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.



# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### Note 6 Fair Value Measurements (Continued)

- (J) Goldman Sachs 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.

### Note 7 Property and Equipment

Property and equipment consisted of the following at June 30:

	2011	2010
Land and improvements	\$ 3,992,304	\$ 4,473,967
Buildings	60,276,938	59,638,664
Equipment	7,100,241	7,060,142
Total property and equipment	71,369,483	71,172,773
Less - Accumulated depreciation	20,141,504	17,728,349
Property and equipment - Net	\$ 51,227,979	\$ 53,444,424

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 8 Other Assets

Other assets consisted of the following at June 30:

	2011	2010
Partnership interests	\$ 358,477	\$ 352,873
Cash surrender value of life insurance policies	114,175	481,873
Revenue bond issuance costs - Net	441,852	459,783
Reserve and replacement funds for HUD properties	799,490	702,708
<b>Total other assets</b>	<b>\$ 1,713,994</b>	<b>\$ 1,997,237</b>

### Note 9 Long-Term Debt

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

	2011	2010
Colorado Educational and Cultural Facilities Authority Demand Revenue Bonds, Series C-1, principal maturing in September 2035; interest rate of .09% at June 30, 2011	\$ 48,715,000	\$ 48,715,000
Colorado Education and Cultural Facilities Authority Demand Revenue Bonds, Series C-5, principal maturing November 2037; interest rate at .09% at June 30, 2011	5,625,000	7,000,000
HUD-insured 7.65% Mortgage Note, with monthly principal and interest payments of \$26,869 through April 2012	2,226,031	2,372,606
Term loan, monthly principal payments of \$833 plus interest through September 1, 2025	141,667	-
<b>Total long-term debt</b>	<b>56,707,698</b>	<b>58,087,606</b>
<b>Less current maturities</b>	<b>168,150</b>	<b>146,575</b>
<b>Long-term portion</b>	<b>\$ 56,539,548</b>	<b>\$ 57,941,031</b>

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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### 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 through the Colorado Educational and Cultural Facilities Authority as part of the National Jewish Federation Bond Program. The proceeds are being used to finance capital projects on the Karl Jewish Community Campus, Helfaer Community Services Building, Rainbow Day Camp, Camp Interlaken, the Jewish Community Center Family Park, and Hillel Student Center in Milwaukee, Wisconsin. In addition, \$2,700,000 of outstanding bonds were refinanced for a total debt of \$48,715,000. The entire principal balance is due in September 2035.

In 2008, the Federation issued an additional \$7,000,000 in tax-exempt variable rate demand revenue bonds using the same issuing authority and bond program. During 2011, the Federation exercised their right to redeem a certain portion of the bonds early, and \$1,375,000 of the bonds were redeemed on October 1, 2010. The remaining principal balance is due in November 2037.

Interest on the 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. Interest expense for the years ended June 30, 2011 and 2010 was \$1,858,774 and \$2,109,029, respectively.

Wells Fargo is the Trustee and U.S. Bank is the letter of credit provider for the demand revenue bonds. The bonds are secured by a letter of credit in the amount of \$54,340,000 which expires June 30, 2014. Terms of the letter of credit require the Federation to annually meet a liquidity covenant measured as of June 30 and an operating surplus covenant measured for each year ended June 30. As of June 30, 2011, management believes the Federation was in compliance with all of the established covenants.

At June 30, 2011 and 2010, \$176,450 and \$2,226,324 of the bond proceeds were unspent, respectively (see Note 2).

# 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)

The tax-exempt variable bonds can be called on a weekly basis by the bondholders. The Federation has a remarketing agreement with the underwriter that provides for a “best efforts” remarketing of the tax exempt bonds. The Federation anticipates that any bonds put back would be resold; however, there are no guarantees that the bonds can or will be remarketed.

#### HUD-Insured Mortgage Note

The Federation has 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 is collateralized by the rental property and assignment of rents. Interest expense under this loan was \$174,925 and \$185,721 for the years ended June 30, 2011 and 2010, respectively.

#### Term Loan

On September 1, 2010, the Federation borrowed \$150,000 from a bank. The loan is amortized on a 15-year basis with interest at 2.25% plus one month LIBOR. Interest rate at June 30, 2011 was 2.43%. The note matures on June 30, 2012.

# 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 on the long-term debt, including current maturities, are summarized as follows:

	Demand			
	Revenue Bonds	Mortgage note	Term loan	Total
2012	\$ -	\$ 158,150	\$ 10,000	\$ 168,150
2013	-	170,639	10,000	\$ 180,639
2014	-	184,115	10,000	\$ 194,115
2015	-	198,655	10,000	\$ 208,655
2016	-	214,343	10,000	\$ 224,343
Thereafter	54,340,000	1,300,129	91,667	\$ 55,731,796
Total	\$ 54,340,000	\$ 2,226,031	\$ 141,667	\$ 56,707,698

### Note 10 Interest Rate Swap

As disclosed in Note 9, the tax-exempt demand revenue bonds totaling \$54,340,000 bear interest at a variable rate. 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 expires October 1, 2018. The Federation pays U.S. Bank a fixed rate of 3.065% and receives 70% of LIBOR. Payments between the two organizations are made monthly to correspond with the interest payments due on the tax-exempt variable rate demand revenue bonds. The interest rate swap requires the Federation to be in compliance with the Credit Support Document. Management believes the Federation was in compliance with the Credit Support Document at June 30, 2011.

The notional amount hedged at June 30, 2011 and 2010 was \$54,340,000 and \$55,715,000, respectively. The interest rate swap agreement is stated at fair value and is recorded as a liability of \$4,358,033 and \$4,940,536 as of June 30, 2011 and 2010, respectively. The change in fair value of the interest rate swap agreement was a gain of \$582,503 in 2011 and a loss of \$2,583,402 in 2010.

# 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:

	2011	2010
Unrestricted reserves	\$ 1,867,666	\$ 5,868,174
Donor-designated funds	16,093,714	12,654,543
Net investment in property and equipment	14,576,226	7,374,412
Supporting foundations	132,059	146,558
Donor-advised funds	35,551,214	37,141,418
Pledged for future capital and operations	-	1,932,017
<b>Total unrestricted net assets</b>	<b>\$ 68,220,879</b>	<b>\$ 65,117,122</b>

- 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.
- Net investments in land, buildings, 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 board.
- 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.

# Milwaukee Jewish Federation, Inc. and Affiliates

## Notes to Consolidated Financial Statements

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

#### Temporarily Restricted Net Assets

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

	2011	2010
Residual value of trusts and gift annuities	\$ 2,201,900	\$ 1,988,331
Scholarships, grants, and awards	3,421,856	2,097,163
Purpose-restricted	2,680,276	2,414,975
Restricted for agencies	30,999,971	26,002,781
PACE/LOJE funds	2,079,811	1,900,549
Time-restricted - Capital campaign	779,500	1,365,200
<b>Total temporarily restricted net assets</b>	<b>\$ 42,163,314</b>	<b>\$ 35,768,999</b>

- 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.

# 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)

- 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 – Capital campaign relates to the 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:

	2011	2010
Residual value of trusts and gift annuities	\$ 144,683	\$ 139,758
Scholarships, grants, and awards	567,427	532,561
Purpose-restricted	81,911	150,205
Restricted for agencies	1,926,605	2,239,756
PACE/LOJE funds	19,670	188,284
Time-restricted - Capital campaign	585,700	1,384,658
Net assets released from restrictions	\$ 3,325,996	\$ 4,635,222

### 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 for those employees projected to work at least 1,000 hours. The Federation can, at its discretion, make an additional contribution of up to 4% at calendar year-end. The Federation contributed 7% of eligible compensation for the fiscal years ended June 30, 2011 and 2010. Benefit plan expense was \$85,852 and \$60,028 for the fiscal years ended June 30, 2011 and 2010, 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.

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

The Federation owns an interest in a partnership whose sole asset is land. Management has become 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, 2011 and 2010.

The Federation currently guarantees the debt of another organization. The amount remaining on the debt at June 30, 2011 was \$291,000.

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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 under these bonds. Madison Hillel is a constituent agency of the Federation. Capital campaign funds from Madison Hillel of \$6,698,652 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 area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. On November 9, 2010, the FDIC issued a final rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited coverage of non-interest-bearing transaction accounts through December 31, 2012. In addition, the Federation maintains cash in interest-bearing accounts at these institutions, which are insured by the FDIC up to \$250,000. At June 30, 2011, the Federation's amounts on deposit did not exceed the insured limits. Other investments held by financial institutions are uninsured.

### **Note 17**      **Transfers**

During 2011 and 2010, the Federation reviewed donor agreements and determined that temporarily restricted net assets should be transferred to unrestricted net assets to be in accordance with donor designations. The adjustments to recharacterize the classifications are presented in the consolidated statements of activities as transfers, and were \$651,129 and \$791,921 in 2011 and 2010, respectively.

### **Note 18**      **Reclassifications**

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.