

JEWISH FEDERATION  
OF GREATER PITTSBURGH  
Pittsburgh, Pennsylvania

Combined Financial Statements  
and  
Supplementary Combining Financial Information  
For the years ended June 30, 2015 and 2014  
  
and Independent Auditors' Report Thereon



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Jewish Federation of Greater Pittsburgh  
Pittsburgh, Pennsylvania

### ***Report on the Financial Statements***

We have audited the accompanying combined financial statements of the Jewish Federation of Greater Pittsburgh and controlled supporting organizations (Federation), which comprise the combined statements of financial position as of June 30, 2015 and 2014, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Combined Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Federation's preparation and fair presentation of the combined 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 Federation'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Federation as of June 30, 2015 and 2014, and the combined changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and the combining statements of activities and changes in net assets on Pages 24-27 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
December 22, 2015

JEWISH FEDERATION OF GREATER PITTSBURGH

COMBINED STATEMENTS OF FINANCIAL POSITION

*(Dollars in Thousands)*

|                                        | June 30          |                  |
|----------------------------------------|------------------|------------------|
|                                        | <u>2015</u>      | <u>2014</u>      |
| ASSETS                                 |                  |                  |
| Cash and cash equivalents              | \$ 7,774         | \$ 4,923         |
| Debt service fund cash                 | 518              | 518              |
| Investments                            | 215,571          | 202,523          |
| Campaign pledges receivable, net       | 4,773            | 2,852            |
| Renaissance pledges receivable, net    | 11,397           | 12,227           |
| Other receivables                      | 2,612            | 2,390            |
| Property and equipment, net            | 812              | 727              |
| Prepays and other assets               | 57               | 31               |
| Deferred bond issuance cost, net       | <u>242</u>       | <u>264</u>       |
| Total Assets                           | <u>\$243,756</u> | <u>\$226,455</u> |
| LIABILITIES AND NET ASSETS             |                  |                  |
| LIABILITIES                            |                  |                  |
| Appropriations payable                 | \$ 217           | \$ 432           |
| Accounts payable and other liabilities | 1,716            | 1,847            |
| Amounts of agency funds held           | 88,566           | 78,583           |
| Amounts held for charitable trusts     | 4,005            | 4,075            |
| Bonds payable                          | <u>11,397</u>    | <u>13,252</u>    |
| Total Liabilities                      | 105,901          | 98,189           |
| NET ASSETS                             |                  |                  |
| Unrestricted:                          |                  |                  |
| Board-designated                       | 10,389           | 10,347           |
| Undesignated                           | <u>34,756</u>    | <u>31,119</u>    |
| Total Unrestricted                     | 45,145           | 41,466           |
| Temporarily restricted                 | 54,650           | 52,773           |
| Permanently restricted                 | <u>38,060</u>    | <u>34,027</u>    |
| Total Net Assets                       | <u>137,855</u>   | <u>128,266</u>   |
| Total Liabilities And Net Assets       | <u>\$243,756</u> | <u>\$226,455</u> |

See notes to the combined financial statements.

JEWISH FEDERATION OF GREATER PITTSBURGH

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014  
*(Dollars in Thousands)*

|                                                      | 2015         |                           |                           |           | 2014         |                           |                           |           |
|------------------------------------------------------|--------------|---------------------------|---------------------------|-----------|--------------|---------------------------|---------------------------|-----------|
|                                                      | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total     | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total     |
| <b>PUBLIC SUPPORT</b>                                |              |                           |                           |           |              |                           |                           |           |
| Contributions:                                       |              |                           |                           |           |              |                           |                           |           |
| Campaign contributions                               | \$13,496     | -                         | -                         | \$ 13,496 | \$10,725     | -                         | -                         | \$ 10,725 |
| Contributions to Foundation                          | 5,007        | \$ 3,921                  | \$ 3,884                  | 12,812    | 4,150        | \$ 7,384                  | \$ 2,541                  | 14,075    |
| Jewish Healthcare Foundation                         | 900          | -                         | -                         | 900       | 900          | -                         | -                         | 900       |
| Renaissance Project                                  | -            | 445                       | -                         | 445       | -            | 732                       | -                         | 732       |
| Program revenue                                      | 3,499        | 107                       | -                         | 3,606     | 2,270        | 107                       | -                         | 2,377     |
| Contributions - corporations                         | -            | 4,907                     | -                         | 4,907     | -            | 4,357                     | -                         | 4,357     |
| Campaign contributions paid from donor-advised funds | (1,291)      | -                         | -                         | (1,291)   | (1,537)      | -                         | -                         | (1,537)   |
| Total Public Support                                 | 21,611       | 9,380                     | 3,884                     | 34,875    | 16,508       | 12,580                    | 2,541                     | 31,629    |
| <b>REVENUE</b>                                       |              |                           |                           |           |              |                           |                           |           |
| Dividends and interest income                        | 927          | 2,544                     | -                         | 3,471     | 656          | 1,480                     | -                         | 2,136     |
| Realized and unrealized (depreciation) appreciation  | (241)        | (53)                      | 223                       | (71)      | 2,886        | 7,464                     | 179                       | 10,529    |
| Change in value of split-interest agreements         | -            | 458                       | (74)                      | 384       | -            | 444                       | 140                       | 584       |
| Other interest income                                | 19           | -                         | -                         | 19        | 31           | -                         | -                         | 31        |
| Total Revenue                                        | 705          | 2,949                     | 149                       | 3,803     | 3,573        | 9,388                     | 319                       | 13,280    |
| <b>NET ASSETS RELEASED FROM RESTRICTIONS</b>         | 10,452       | (10,452)                  | -                         | -         | 12,324       | (12,324)                  | -                         | -         |
| Total Public Support And Revenue                     | 32,768       | 1,877                     | 4,033                     | 38,678    | 32,405       | 9,644                     | 2,860                     | 44,909    |
| <b>EXPENSES</b>                                      |              |                           |                           |           |              |                           |                           |           |
| Program services                                     | 20,231       | -                         | -                         | 20,231    | 22,384       | -                         | -                         | 22,384    |
| Scholarship expense                                  | 4,510        | -                         | -                         | 4,510     | 4,236        | -                         | -                         | 4,236     |
| Fundraising                                          | 2,760        | -                         | -                         | 2,760     | 2,315        | -                         | -                         | 2,315     |
| General and administrative                           | 1,588        | -                         | -                         | 1,588     | 1,474        | -                         | -                         | 1,474     |
| Total Expenses                                       | 29,089       | -                         | -                         | 29,089    | 30,409       | -                         | -                         | 30,409    |
| Changes In Net Assets                                | 3,679        | 1,877                     | 4,033                     | 9,589     | 1,996        | 9,644                     | 2,860                     | 14,500    |
| <b>NET ASSETS</b>                                    |              |                           |                           |           |              |                           |                           |           |
| Beginning of year                                    | 41,466       | 52,773                    | 34,027                    | 128,266   | 39,470       | 43,129                    | 31,167                    | 113,766   |
| End of year                                          | \$45,145     | \$54,650                  | \$38,060                  | \$137,855 | \$41,466     | \$52,773                  | \$34,027                  | \$128,266 |

See notes to the combined financial statements.

JEWISH FEDERATION OF GREATER PITTSBURGH

COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014  
*(Dollars in Thousands)*

|                                                                                                 | <u>2015</u>     | <u>2014</u>     |
|-------------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                     |                 |                 |
| Changes in net assets                                                                           | \$ 9,589        | \$ 14,500       |
| Adjustments to reconcile changes in net assets<br>to net cash provided by operating activities: |                 |                 |
| Depreciation and amortization                                                                   | 111             | 151             |
| Realized and unrealized investment depreciation (appreciation)                                  | 71              | (10,529)        |
| Change in value of split interest arrangements                                                  | (384)           | (584)           |
| Contributions restricted for long-term investment                                               | (3,884)         | (2,541)         |
| Change in reserve for doubtful pledges                                                          | 61              | 326             |
| Realized and unrealized investment (depreciation) appreciation on agency funds                  | (700)           | 7,887           |
| Changes in assets and liabilities:                                                              |                 |                 |
| Campaign pledges receivable                                                                     | (1,982)         | 2,082           |
| Other receivables                                                                               | (222)           | 842             |
| Prepays and other assets                                                                        | (26)            | 2               |
| Appropriations payable                                                                          | (215)           | (197)           |
| Amount of agency funds held                                                                     | 10,683          | 3,480           |
| Accounts payable and other liabilities                                                          | (131)           | 738             |
| Amounts held for charitable trusts                                                              | (70)            | (54)            |
| Net Cash Provided By Operating Activities                                                       | <u>12,901</u>   | <u>16,103</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                     |                 |                 |
| Purchases of property and equipment                                                             | (174)           | (310)           |
| Sales of investments                                                                            | 111,580         | 99,623          |
| Purchases of investments                                                                        | (124,315)       | (116,441)       |
| Net Cash Used In Investing Activities                                                           | <u>(12,909)</u> | <u>(17,128)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                     |                 |                 |
| Contributions restricted for long-term investment                                               | 3,884           | 2,541           |
| Payments received on Renaissance pledge receivables                                             | 830             | 813             |
| Payments on bonds payable                                                                       | (1,855)         | (1,905)         |
| Net Cash Provided By Financing Activities                                                       | <u>2,859</u>    | <u>1,449</u>    |
| Net Increase In Cash And Cash Equivalents                                                       | 2,851           | 424             |
| <b>CASH AND CASH EQUIVALENTS</b>                                                                |                 |                 |
| Beginning of year                                                                               | <u>4,923</u>    | <u>4,499</u>    |
| End of year                                                                                     | <u>\$ 7,774</u> | <u>\$ 4,923</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                         |                 |                 |
| Cash paid during the year for interest                                                          | <u>\$ 18</u>    | <u>\$ 36</u>    |

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES**

During 2014, the Federation received noncash donations of closely held stock intended for long-term investment totaling \$3,389.

See notes to the combined financial statements.

JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 1 - ORGANIZATION

**Scope of the Financial Statements**

Combined financial statements as of and for the years ended June 30, 2015 and 2014 reflect the activities of the Jewish Federation of Greater Pittsburgh (JFGP) and these related supporting organizations (collectively, the Federation):

- The Pittsburgh Jewish Educational Improvement Foundation (PJEIF).
- The Pittsburgh Jewish Pre-Kindergarten Educational Improvement Foundation (Pre-K).
- Three supporting foundations established by donors.

The educational foundations provide scholarships to students who attend Jewish day school and pre-kindergarten programs in Pennsylvania. These scholarships are provided in accordance with the Pennsylvania Educational Improvement Tax Credit and Opportunity Scholarship Tax Credit programs.

The combined financial statements also reflect the activities of the Jewish Community Foundation (Foundation), an internal department of the Federation. The Foundation manages and directs donated endowment funds, donor-advised funds, agency funds and charitable trusts to serve the objectives of the Federation and its donors.

**Federation's Mission**

The mission of the Jewish Federation of Greater Pittsburgh is to raise and allocate funds and build community locally, in Israel and around the world.

**Funding Sources**

The programs and activities of the Federation are funded by the Federation's Annual Campaign and distributions from the Federation's Foundation.

**Areas of Allocation**

Allocations are primarily to support:

- **Jewish human service agencies** in the Pittsburgh region. Many agencies serve clients regardless of religious affiliation.
- **Jewish community life**, including experiences that strengthen Jewish identity.
- **Jewish education**, encompassing all facets of the life-learning spectrum.
- **Overseas funding**, to support human services and Jewish community in Israel and elsewhere worldwide.

**Federation Activities**

The Federation is a Jewish grant-making organization in Pittsburgh, which:

- **Convenes** the diversity of stakeholders in the local Jewish community to determine areas of community need.
- **Plans** programs and other means of ensuring that Pittsburgh's Jewish community remains vibrant. Training communal leadership is a priority.
- **Distributes** funds to support agencies, programs, and other activities.
- **Evaluates** Federation-funded activities, to help ensure ongoing quality, relevance and efficiency.
- **Advocates** the needs and positions of the community, with the input it receives from the wide spectrum of its constituents.
- **Collaborates** with other Jewish communities nationally and worldwide. Federation activities frequently include work with individuals and groups outside the Jewish community, in the context of cooperation, inclusiveness and mutual benefit.

Additional information about Federation activities is available at [www.jfedpgh.org](http://www.jfedpgh.org).



JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying combined financial statements follows:

**Principles of Combination** - The Federation has prepared combined financial statements, since the Federation's Board of Directors (Board) has the power to direct activities of the supporting organizations and foundations listed above through control of their boards. All inter-entity transactions and balances have been eliminated in combination.

**Basis of Accounting** - The combined financial statements of the Federation are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates** - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Net Assets** - The Federation classifies and reports net assets and revenues, expenses, gains and losses 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** - Net assets over which the Federation's Board has discretionary control to use in carrying on the operations of the Federation. This includes Board-designated net assets that have been designated by the Board to provide support for activities that further the Federation's mission.

**Temporarily Restricted Net Assets** - Net assets that are expendable only for purposes specified by the donor or grantor. Any expenditure in excess of available funds is provided by unrestricted net assets.

**Permanently Restricted Net Assets** - Net assets subject to restrictions of gift instruments requiring that the principal is invested in perpetuity and the income is used only to support the Federation's mission and operations.

**Cash and Cash Equivalents** - The Federation maintains, at several financial institutions, cash that may exceed federally insured amounts at times. For purposes of the combined statements of cash flows, all investments with a purchased maturity of three months or less are considered to be cash equivalents.

**Debt Service Fund Cash** - The Federation's debt service fund includes cash and cash equivalents set aside to meet the debt service obligations as required by the 1996 A Series Tax-Exempt Variable Rate Demand Bonds (1996 A Bonds) and 1995 B Series Tax-Exempt Variable Rate Demand Bonds (1995 B Bonds).

**Investments** - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investments received by gift are recorded at market value on the date of donation. Investment securities, 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 investment securities, changes in values of investment securities will occur in the near term, and it is reasonably possible that such changes could materially affect the amounts reported in the combined statements of financial position.

JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments for which there is no ready market are valued at fair value as estimated by management. Limited partnerships, which are not readily marketable, are carried at net asset value (NAV) as provided by the investment partnerships. NAV is assessed by management to approximate fair value. Closely held stock is valued at appraised value and is not expected to be liquidated. The Federation reviews and evaluates the valuation methods and assumptions used in determining the fair value of the alternative investments. Because of inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments could differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, and the differences could be material. Such investments are, by their nature, generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

Interest and dividends from investments, net of investment fees, are included in investment income and are recognized when earned. Realized and unrealized gains, net of losses, are included in realized and unrealized appreciation (depreciation) on investments. Realized gains and losses on security transactions are determined by the specific identification method. Income and gains and losses derived from investments of endowment funds are accounted for in the net asset classification designated by the donor.

Split-Interest Agreements - Revenues and receivables are recognized at the date the agreements are established and are reported at the present value of the estimated future cash flows with restrictions based on the donors' intent of the future use of the funds. Liabilities under split-interest agreements are discounted to present value utilizing a rate of 2.0% and 2.2% for the years ended June 30, 2015 and 2014, respectively. Payments are made to donors or other beneficiaries in accordance with the respective agreements. The Federation has elected the fair value option (under Codification topic, Financial Instruments) for its split-interest arrangements. Assets related to the split-interest agreements are included in the investments and other receivables on the combined statements of financial position. The balances as of June 30 are included under the following captions in the accompanying combined financial statements:

| <u>(Dollars in Thousands)</u> | <u>2015</u> | <u>2014</u> |
|-------------------------------|-------------|-------------|
| Investments                   | \$ 10,511   | \$ 10,110   |
| Other receivables             | 577         | 664         |

Pledges and Reserve for Doubtful Accounts - Unconditional promises to give are recorded at fair value as of the date of the pledge. Gifts expected to be received over a period of time are recorded at the net present value of their estimated future cash flows discounted using a risk-free interest rate applicable to the year in which the promise is received. Temporarily restricted contributions are reclassified to unrestricted contributions and reported in the combined statements of activities and changes in net assets as net assets released from restrictions when a stipulated time restriction ends or purpose restriction is accomplished. The Federation's evaluation of the need for an allowance is based on historical collection experience, a review of current status of the pledge receivables, and judgment. Decisions to charge-off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. It is reasonably possible that the Federation's estimate of the reserve for doubtful accounts will change.

Property and Equipment - Property and equipment are recorded at the lower of cost or fair value. Depreciation and amortization are provided on the straight-line method over estimated useful lives. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred.

JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment at June 30 are composed of the following:

| <i>(Dollars in Thousands)</i>   | 2015          | 2014          |
|---------------------------------|---------------|---------------|
| Land                            | \$ 193        | \$ 193        |
| Equipment                       | 634           | 598           |
| Building                        | 2,144         | 2,006         |
|                                 | <u>2,971</u>  | <u>2,797</u>  |
| Less - Accumulated depreciation | <u>2,159</u>  | <u>2,070</u>  |
| Property and equipment, net     | <u>\$ 812</u> | <u>\$ 727</u> |

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of - In accordance with the provisions of the Codification topic Property, Plant and Equipment, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value, as defined, of the assets. A fair value determination is made based upon discounted cash flows, appraisals and comparable sales of similar property. Based upon management's analysis, there was no impairment for fiscal years ended June 30, 2015 and 2014.

Appropriations Payable - The Federation records appropriations to the community in the fiscal year in which the Board approves them to be paid.

Agency Funds Held - Agency funds held include amounts from donors held by the Federation for various Jewish community agencies. Such funds are pooled with other Federation funds for investment purposes, the respective agencies retain variance power over these assets, resulting in a liability being recorded.

Total additions to agency funds were approximately \$14,507,000 and \$7,427,000 for the years ended June 30, 2015 and 2014, respectively. Approximately \$5,402,000 and \$5,158,000 of distributions were made from agency funds during the years ended June 30, 2015 and 2014, respectively.

Income Taxes - The JFGP is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code (IRC) and is also classified as an entity that is not a private foundation. The PJEIF and Pre-K and three supporting foundations are tax-exempt supporting organizations of the JFGP under Section 501(c)(3) of the IRC. The Federation follows the Codification topic on Income Taxes. The topic prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. The Federation classifies interest and penalties as tax expense, if incurred. The Federation's combined statements of financial position at June 30, 2015 and 2014 do not include any liabilities associated with uncertain tax positions; further, the Federation has no unrecognized tax benefits. The Federation believes that it is no longer subject to examination of its tax returns for years before 2012.

Donated Services - The Federation receives donated services from a variety of unpaid volunteers who assist in fundraising, program services and supporting services. No amounts have been recognized in the accompanying statements of activities and changes in net assets for those services, since they would not have been purchased had they not been donated. Additionally, although the Board members have donated a substantial amount of time to the operation of the Federation, no amounts have been reflected in the accompanying combined financial statements for these donated services because no objective basis is available to measure the value of such services.

JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocation - The costs of providing the various programs and other activities have been allocated among the programs and supporting services benefited.

Release of Restricted Assets - Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors or grantors.

Fair Value Measurement - The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the Fair Value Measurement topic are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets 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 inactive 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 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 relevant observable inputs and minimize the use of unobservable inputs.

Endowment - The Federation follows the provisions of the Codification topic Presentation of Financial Statements for Not-for-Profit Entities as it relates to the presentation of donor-restricted and Board-designated endowment funds. A portion of the Federation's net assets are donor-restricted endowment funds, which are governed by the Commonwealth of Pennsylvania's Act 141 (Act 141). Act 141 permits integration of a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's investments as income each year. (See Note 7.)

Program Revenue - Program revenue consists of funds contributed by individual donors and corporations to support a specific program. Amounts are recorded when collection is reasonably assured.

Contributions - corporations - Consist of donations from corporations to support PJEIF and Pre-K and are recorded at their fair value in the period received. The Federation derived approximately 63% and 62% of its contribution revenue from two corporate entities and their affiliates for the years ended June 30, 2015 and 2014, respectively.

JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarships - PJEIF and Pre-K provide scholarship support, calculated annually on a per-student basis, to eligible institutions. Under the provisions of these programs, PJEIF and Pre-K must contribute 80% of annual contributions received from businesses awarded tax credits to a scholarship program.

Recent Accounting Pronouncements - The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07 Fair Value Measurement (ASU 2015-07). Under this amendment, investments for which fair value is measured at NAV per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. A reporting entity should continue to disclose information on investments for which fair value is measured at NAV per share (or its equivalent) as a practical expedient to help users understand the nature and risks of the investments and whether the investments, if sold, are probably of being sold at amounts different from NAV. Investments that calculate NAV but for which the practical expedient is not applied will continue to be included in the fair value hierarchy. ASU 2015-07 is effective for annual reporting periods beginning after December 15, 2016. ASU 2015-07 requires retrospective application by removing the investment for which fair value is measured using the NAV per share practical expedient from the fair value hierarchy in all periods present in an entity's financial statements. Early adoption is permitted. The Federation has elected to early adopt ASU 2015-07 related to investments held as of June 30, 2015 and 2014 and adjusted its prior year disclosures to conform with the adoption of ASU 2015-07.

The FASB issued ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 is the result of a joint project of FASB and the International Accounting Standards Board to clarify the principles for recognizing revenue and to develop a common revenue standard for use in the U.S. and internationally. ASU 2014-09 supersedes the revenue recognition requirements in Topic 605 of the FASB Codification and most industry-specific guidance throughout the Industry Topics of the Codification. ASU 2014-09 enhances comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, reduces the number of requirements an entity must consider for recognizing revenue, and requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. ASU 2014-09 requires either retrospective application by restating each prior period presented in the financial statements, or retrospective application by recording the cumulative effect on prior reporting periods to beginning retained earnings in the year that the standard becomes effective. The Federation is assessing the impact that ASU 2014-09 will have on its combined financial statements.

The FASB issued ASU No. 2015-03 Interest - Imputation of Interest (Subtopic 835-30) (ASU 2015-03). ASU 2015-03 was issued as part of an initiative to reduce complexity in accounting standards. To simplify presentation of debt issuance costs, the amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet (statement of financial position) as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Early adoption of the amendments in this update is permitted for financial statements that have not been previously issued. ASU 2015-03 should be applied on a retrospective basis. The Federation is assessing the impact that ASU 2015-03 will have on its combined financial statements.

Subsequent Events - The Federation has evaluated subsequent events through December 22, 2015, the date on which the combined financial statements were available to be issued.

Reclassifications - Certain reclassifications have been made to the accompanying combined statements of cash flows for the year ended June 30, 2014 to conform to the current year's presentation.

JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
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NOTE 3 - RENAISSANCE PROJECT

The Renaissance Project was an effort to renovate and develop new facilities primarily in the Squirrel Hill section of Pittsburgh for a number of related agencies of the Federation.

Since inception, approximately \$58,805,000 has been pledged to the campaign, including \$445,000 and \$732,000 during 2015 and 2014, respectively. Collections have totaled approximately \$47,408,000 through June 30, 2015, resulting in a balance of approximately \$11,397,000; almost all of this balance is due from the Jewish Healthcare Foundation (JHF), as discussed in the next paragraph.

The JHF made an unconditional pledge to the Federation for fulfillment of an appropriation made by the Federation to the Jewish Association on Aging (JAA) as part of the Renaissance Project. The JHF has agreed to make principal and interest payments on approximately 40% of the 1995 B Bonds and 75% of the 1996 A Bonds of the Federation. The payments on the 1995 B Bonds balance are made every April and October through 2025. The payments on the 1996 A balance are made every April and October through 2026. The pledge receivable from JHF was \$11,395,000 and \$12,225,000 at June 30, 2015 and 2014, respectively, and is included in Renaissance pledges receivable. (See Note 4.)

Additionally, the JAA agreed to repay the principal and interest on an advance as the 1995 B Bonds come due. The advance was paid in full during the June 30, 2015 fiscal year. The remaining outstanding advance to JAA at June 30, 2014 was \$245,000 and was included in other receivables on the accompanying combined statements of financial position. (See Note 4.)

The total interest reimbursements received from JHF by the Federation under all of the pledge and reimbursement agreements were approximately \$7,000 and \$9,000 for the years ended June 30, 2015 and 2014, respectively.

NOTE 4 - PLEDGES AND RECEIVABLES

The Federation's receivables at June 30 consist of the following:

|                                      |    | 2015         |                  |                 |
|--------------------------------------|----|--------------|------------------|-----------------|
| <i>(Dollars in Thousands)</i>        |    | Campaign     | Renaissance      | Other           |
| Receivables                          | \$ | 6,207        | \$ 11,401        | \$ 2,035        |
| Donor charitable trusts              |    | -            | -                | 577             |
|                                      |    | 6,207        | 11,401           | 2,612           |
| Less - Reserve for doubtful accounts |    | 1,434        | 4                | -               |
|                                      | \$ | <u>4,773</u> | \$ <u>11,397</u> | \$ <u>2,612</u> |
|                                      |    | 2014         |                  |                 |
| <i>(Dollars in Thousands)</i>        |    | Campaign     | Renaissance      | Other           |
| Receivables                          | \$ | 4,225        | \$ 12,231        | \$ 1,726        |
| Donor charitable trusts              |    | -            | -                | 664             |
|                                      |    | 4,225        | 12,231           | 2,390           |
| Less - Reserve for doubtful accounts |    | 1,373        | 4                | -               |
|                                      | \$ | <u>2,852</u> | \$ <u>12,227</u> | \$ <u>2,390</u> |

JEWISH FEDERATION OF GREATER PITTSBURGH  
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NOTE 4 - PLEDGES AND RECEIVABLES (Continued)

Other receivables at June 30, 2015 and 2014, each respectively, include noninterest-bearing advances to certain beneficiary agencies totaling \$1,372,000 and \$1,811,000, including advances to the JAA of \$956,000 and \$1,350,000 (inclusive of the amounts described in Note 3) and advances to the Jewish Community Center of \$205,000 and \$205,000.

Unconditional promises at June 30 are expected to be realized in the following periods:

| <i>(Dollars in Thousands)</i>   | 2015            |                  |                  |
|---------------------------------|-----------------|------------------|------------------|
|                                 | Campaign        | Renaissance      | Total            |
| In one year or less             | \$ 6,207        | \$ 866           | \$ 7,073         |
| Between one year and five years | -               | 3,730            | 3,730            |
| More than five years            | -               | 6,805            | 6,805            |
|                                 | <u>\$ 6,207</u> | <u>\$ 11,401</u> | <u>\$ 17,608</u> |
| <i>(Dollars in Thousands)</i>   | 2014            |                  |                  |
|                                 | Campaign        | Renaissance      | Total            |
| In one year or less             | \$ 4,225        | \$ 836           | \$ 5,061         |
| Between one year and five years | -               | 3,610            | 3,610            |
| More than five years            | -               | 7,785            | 7,785            |
|                                 | <u>\$ 4,225</u> | <u>\$ 12,231</u> | <u>\$ 16,456</u> |

NOTE 5 - INVESTMENTS

Investments, stated at fair value, included in the June 30 combined statements of financial position are as follows:

| <i>(Dollars in Thousands)</i>      | 2015             |                   |                   | 2014             |                   |                   |
|------------------------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
|                                    | Endowment        | Other             | Total             | Endowment        | Other             | Total             |
| Donor gifts and accumulated gains  | \$ 82,487        | \$ 30,124         | \$ 112,611        | \$ 76,511        | \$ 33,007         | \$ 109,518        |
| Board-designated                   | 10,389           | -                 | 10,389            | 10,347           | -                 | 10,347            |
| Amounts of agency funds held       | -                | 88,566            | 88,566            | -                | 78,583            | 78,583            |
| Amounts held for charitable trusts | -                | 4,005             | 4,005             | -                | 4,075             | 4,075             |
| Total fair value                   | <u>\$ 92,876</u> | <u>\$ 122,695</u> | <u>\$ 215,571</u> | <u>\$ 86,858</u> | <u>\$ 115,665</u> | <u>\$ 202,523</u> |

Investments consist primarily of the Federation's pooled investment funds, which are managed and controlled by the Federation. The remainder of the Federation's investments are composed of various donor-investment vehicles.

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JUNE 30, 2015 AND 2014

NOTE 5 - INVESTMENTS (Continued)

Investments, stated at fair value, at June 30 consist of the following:

| <u>(Dollars in Thousands)</u>          | <u>2015</u>       | <u>2014</u>       |
|----------------------------------------|-------------------|-------------------|
| Pooled investment funds                | \$ 190,225        | \$ 176,092        |
| Cash and cash equivalents              | 445               | 263               |
| Fixed-income mutual funds              | 977               | 888               |
| Israel bonds                           | 504               | 620               |
| Common stocks                          | 342               | 327               |
| Domestic equity mutual funds           | 1,516             | 1,520             |
| International equity mutual fund       | 165               | 209               |
| Closely held stock                     | 8,863             | 8,588             |
| Cash surrender value of life insurance | 6,616             | 6,289             |
| Investments in limited partnerships    | 2,617             | 4,173             |
| Real estate                            | 806               | 806               |
| Funds held in trust                    | 2,339             | 2,592             |
| Beneficial interest in trusts          | 156               | 156               |
|                                        | <u>\$ 215,571</u> | <u>\$ 202,523</u> |

The Federation's pooled investment funds are made up of the following:

| <u>(Dollars in Thousands)</u>       | <u>2015</u>       | <u>2014</u>       |
|-------------------------------------|-------------------|-------------------|
| Cash and cash equivalents           | \$ 972            | \$ 9,029          |
| Israel bonds                        | 5,603             | 3,895             |
| Domestic equity mutual funds        | 95,062            | 90,970            |
| International equity mutual funds   | 31,578            | 28,012            |
| Domestic corporate bonds            | 13,359            | 12,747            |
| Domestic government bonds           | 21,603            | 18,423            |
| Other international bonds           | 1,367             | 1,182             |
| Fixed-income mutual funds           | 15,078            | 3,559             |
| Investments in limited partnerships | 5,603             | 8,275             |
|                                     | <u>\$ 190,225</u> | <u>\$ 176,092</u> |

NOTE 6 - FAIR VALUE MEASUREMENT

The Federation's financial instruments consist primarily of cash and cash equivalents, debt service fund cash, investments, campaign pledges receivables, Renaissance pledges receivable, other receivables, appropriations payable, accounts payable and other liabilities, agency funds held, amounts held for charitable trusts and bonds payable.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

The carrying amount of cash and cash equivalents, debt service fund cash, appropriations payable, accounts payable and other liabilities approximates their fair value due to the short-term nature of such instruments.



JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
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NOTE 6 - FAIR VALUE MEASUREMENT (Continued)

The carrying amount of campaign pledges receivables, Renaissance pledge receivables and other receivables are recorded at the amount of expected future cash flows to be received, which approximates their fair value.

The amounts of agency funds held represent offsetting liabilities for the corresponding investment accounts, since the Federation holds these funds for the benefit of specific agencies. These liabilities are valued at the same fair value as their related investment balances.

The amounts held for charitable trusts are reported at the present value of the estimated future cash flows of the respective trust instruments.

The carrying value of the Federation's bonds payable approximates fair value at June 30, 2015 and 2014, since the interest rates are market-based and are generally adjusted periodically.

The methods for valuing the Federation's investments, by significant category, are as follows:

Common Stocks - Valued at the closing price reported on the active market on which the individual securities are traded.

Domestic Corporate, Domestic Government, Other International and Israel Bonds - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Fixed-Income, Domestic Equity and International Equity Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Federation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Federation are deemed to be actively traded.

Cash Surrender Value of Life Insurance - The investments are valued at the cash surrender value of the policies, which approximates fair value.

Funds Held in Trust and Beneficial Interest in Trust - Valued based upon the fair value of underlying assets which are comprised primarily of Level 1 investments such as stocks and mutual funds.

Investments in Limited Partnerships - Valuation requires significant judgment due to the absence of quoted market prices, inherent lack of liquidity, heavy reliance on Level 3 inputs, and the long-term nature of such investments. The Federation has determined the fair value of the limited partnership investments based on the NAV per-share basis as provided by the investment managers. NAV is used as a practical expedient to estimate the fair value of the Federation's interest, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. These investments are comprised primarily of hedge fund of funds. Withdrawals and distributions on approximately \$6,770,000 of the outstanding limited partnership investment balances can be received by the Federation either quarterly or annually based upon a 63-to-95 day written notice period, depending on the fund. The remaining limited partnerships do not contain significant liquidity constraints. There are no unfunded commitments on the limited partnership investments as of June 30, 2015.

JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 6 - FAIR VALUE MEASUREMENT (Continued)

Real Estate - Real estate is valued by the Federation based upon the original acquisition cost. The Federation believes that acquisition cost approximates fair value of the properties held. The Federation periodically evaluates the properties for impairment. Based upon management's analysis, there was no impairment for the year ended June 30, 2015.

Closely Held Stock - The Federation holds stock in one organization. Significant unobservable inputs are used to determine the fair value of the closely held stock. The closely held stock is measured at an appraised value calculated using an income approach. There are no restrictions on the Federation's ability to sell or transfer the closely held stock.

The valuation of the Federation's assets and liabilities accounted for at fair value according to the fair value hierarchy at June 30 is summarized as follows:

| <i>(Dollars in Thousands)</i>           | Assets and (Liabilities) at Fair Value at June 30, 2015 |               |              |                |
|-----------------------------------------|---------------------------------------------------------|---------------|--------------|----------------|
|                                         | Level 1                                                 | Level 2       | Level 3      | Total          |
| <b>ASSETS</b>                           |                                                         |               |              |                |
| Investments:                            |                                                         |               |              |                |
| Cash and cash equivalents               | \$ 1,417                                                | -             | -            | \$ 1,417       |
| Common stocks                           | 342                                                     | -             | -            | 342            |
| Closely held stock                      | -                                                       | -             | \$ 8,863     | 8,863          |
| Domestic equity mutual funds            | 96,578                                                  | -             | -            | 96,578         |
| International equity mutual funds       | 31,743                                                  | -             | -            | 31,743         |
| Fixed-income mutual funds               | 16,055                                                  | -             | -            | 16,055         |
| Domestic corporate bonds                | -                                                       | \$ 13,359     | -            | 13,359         |
| Domestic government bonds               | -                                                       | 21,603        | -            | 21,603         |
| Other international bonds               | -                                                       | 1,367         | -            | 1,367          |
| Real estate                             | -                                                       | -             | 806          | 806            |
| Israel bonds                            | -                                                       | 6,101         | 6            | 6,107          |
| Cash surrender value of life insurance  | -                                                       | 6,616         | -            | 6,616          |
| Funds held in trust                     | 2,339                                                   | -             | -            | 2,339          |
| Beneficial interest in trusts           | -                                                       | 156           | -            | 156            |
| Investments in the fair value hierarchy | 148,474                                                 | 49,202        | 9,675        | 207,351        |
| Investments measured at NAV (a)         | -                                                       | -             | -            | 8,220          |
| Total investments                       | 148,474                                                 | 49,202        | 9,675        | 215,571        |
| Receivables, net                        | -                                                       | 18,782        | -            | 18,782         |
| <br>Total fair value of assets          | <br>\$ 148,474                                          | <br>\$ 67,984 | <br>\$ 9,675 | <br>\$ 234,353 |
| <b>LIABILITIES</b>                      |                                                         |               |              |                |
| Amounts held for charitable trusts      | -                                                       | \$ (4,005)    | -            | \$ (4,005)     |

JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 6 - FAIR VALUE MEASUREMENT (Continued)

| <i>(Dollars in Thousands)</i>           | Assets and (Liabilities) at Fair Value at June 30, 2014 |            |          |            |
|-----------------------------------------|---------------------------------------------------------|------------|----------|------------|
|                                         | Level 1                                                 | Level 2    | Level 3  | Total      |
| <b>ASSETS</b>                           |                                                         |            |          |            |
| Investments:                            |                                                         |            |          |            |
| Cash and cash equivalents               | \$ 9,292                                                | -          | -        | \$ 9,292   |
| Common stocks                           | 327                                                     | -          | -        | 327        |
| Closely held stock                      | -                                                       | -          | \$ 8,588 | 8,588      |
| Domestic equity mutual funds            | 92,490                                                  | -          | -        | 92,490     |
| International equity mutual funds       | 28,221                                                  | -          | -        | 28,221     |
| Fixed-income mutual funds               | 4,447                                                   | -          | -        | 4,447      |
| Domestic corporate bonds                | -                                                       | \$ 12,747  | -        | 12,747     |
| Domestic government bonds               | 715                                                     | 17,708     | -        | 18,423     |
| Other international bonds               | -                                                       | 1,182      | -        | 1,182      |
| Real estate                             | -                                                       | -          | 806      | 806        |
| Israel bonds                            | -                                                       | 4,508      | 7        | 4,515      |
| Cash surrender value of life insurance  | -                                                       | 6,289      | -        | 6,289      |
| Funds held in trust                     | 2,592                                                   | -          | -        | 2,592      |
| Beneficial interest in trusts           | -                                                       | 156        | -        | 156        |
| Investments in the fair value hierarchy | 138,084                                                 | 42,590     | 9,401    | 190,075    |
| Investments measured at NAV (a)         | -                                                       | -          | -        | 12,448     |
| Total investments                       | 138,084                                                 | 42,590     | 9,401    | 202,523    |
| Receivables, net                        | -                                                       | 17,469     | -        | 17,469     |
| Total fair value of assets              | \$ 138,084                                              | \$ 60,059  | \$ 9,401 | \$ 219,992 |
| <b>LIABILITIES</b>                      |                                                         |            |          |            |
| Amounts held for charitable trusts      | -                                                       | \$ (4,075) | -        | \$ (4,075) |

(a) In accordance with the Federation's adoption of ASU 2015-07 and Codification Subtopic 820-10, certain investments were measured at NAV per share (or its equivalent) and as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of fair value hierarchy line items presented in the statements of financial position.

The changes in investments measured at fair value for which the Federation has used Level 3 inputs to determine fair value are as follows:

| <i>(Dollars in Thousands)</i> | Closely<br>Held<br>Stock | Israel<br>Bonds | Real<br>Estate | Total    |
|-------------------------------|--------------------------|-----------------|----------------|----------|
| Balance, June 30, 2013        | \$ 4,357                 | \$ 81           | -              | \$ 4,438 |
| Contributions                 | 3,389                    | -               | \$ 806         | 4,195    |
| Proceeds from maturities      | -                        | (74)            | -              | (74)     |
| Unrealized appreciation       | 842                      | -               | -              | 842      |
| Balance, June 30, 2014        | 8,588                    | 7               | 806            | 9,401    |

JEWISH FEDERATION OF GREATER PITTSBURGH  
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NOTE 6 - FAIR VALUE MEASUREMENT (Continued)

| <u>(Dollars in Thousands)</u> | Closely<br>Held<br>Stock | Israel<br>Bonds | Real<br>Estate | Total           |
|-------------------------------|--------------------------|-----------------|----------------|-----------------|
| Balance, June 30, 2014        | \$ 8,588                 | \$ 7            | \$ 806         | \$ 9,401        |
| Proceeds from maturities      | -                        | (1)             | -              | (1)             |
| Unrealized appreciation       | <u>275</u>               | <u>-</u>        | <u>-</u>       | <u>275</u>      |
| Balance, June 30, 2015        | \$ <u>8,863</u>          | \$ <u>6</u>     | \$ <u>806</u>  | \$ <u>9,675</u> |

Unrealized appreciation (depreciation) is reported as a component of revenue during the years ended June 30, 2015 and 2014 and relates to investments held as of June 30, 2015 and 2014.

The Federation has evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of transfers relative to total net assets available for benefits. For the years ended June 30, 2015 and 2014, there were no significant transfers in or out of Levels 1, 2 or 3.

NOTE 7 - ENDOWMENT

The Federation's endowment consists of various investment funds established primarily for support of the Federation's mission. Its endowment includes donor-restricted as well as Board-designated endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Federation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of the Federation has elected to be governed by provisions of Act 141, which permits a total return policy allowing a nonprofit to choose to treat a percentage of the average market value of the endowment's permanently restricted investments as income each year. Pennsylvania law permits a percentage not less than 2% and not more than 7%. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. In accordance with Act 141, the Federation annually transfers the approved spending rate of the previous three years' market value average of the endowment fund or other spending provisions by the donor. This percentage is applied to a three-year average market value of the investments at December 31st of the previous year. The Federation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. Earnings on these gifts are accumulated in temporarily restricted net assets.

The Federation considers the following factors in making a determination to set a spending rate:

1. Protecting the corpus of the endowment fund.
2. Preserving the spending power of the assets.
3. Obtaining maximum investment return with reasonable risk and operational consideration.
4. Complying with applicable laws and donor restrictions.

JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
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NOTE 7 - ENDOWMENT (Continued)

The following represents the change in donor-restricted and Board-designated endowment funds by type for the year ended June 30:

| <i>(Dollars in Thousands)</i>                            | Board-<br>Designated<br>Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total     |
|----------------------------------------------------------|--------------------------------------|---------------------------|---------------------------|-----------|
| Endowment net assets,<br>June 30, 2013                   | \$ 9,446                             | \$ 36,135                 | \$ 31,167                 | \$ 76,748 |
| Investment return:                                       |                                      |                           |                           |           |
| Investment income                                        | 244                                  | 1,421                     | -                         | 1,665     |
| Net unrealized appreciation                              | 772                                  | 6,441                     | 179                       | 7,392     |
| Contributions and other<br>additions                     | 507                                  | 2,770                     | 2,541                     | 5,818     |
| Change in value of split-<br>interest agreements         | -                                    | 444                       | 140                       | 584       |
| Appropriation of<br>endowment assets<br>for expenditures | (622)                                | (4,727)                   | -                         | (5,349)   |
| Endowment net assets,<br>June 30, 2014                   | 10,347                               | 42,484                    | 34,027                    | 86,858    |
| Investment return:                                       |                                      |                           |                           |           |
| Investment income                                        | 341                                  | 2,220                     | -                         | 2,561     |
| Net unrealized (depreciation)<br>appreciation            | (248)                                | (335)                     | 223                       | (360)     |
| Contributions and other<br>additions                     | 582                                  | 3,717                     | 3,884                     | 8,183     |
| Change in value of split-<br>interest agreements         | -                                    | 458                       | (74)                      | 384       |
| Appropriation of<br>endowment assets<br>for expenditures | (633)                                | (4,117)                   | -                         | (4,750)   |
| Endowment net assets,<br>June 30, 2015                   | \$ 10,389                            | \$ 44,427                 | \$ 38,060                 | \$ 92,876 |

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor has required the Federation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in temporarily restricted net assets are approximately \$498,000 and \$458,000 as of June 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of permanently restricted contributions and continued discretionary appropriations for certain programs that were deemed prudent by the Board.

JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
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NOTE 7 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters - The Federation has adopted investment and spending policies for endowment assets that attempt to provide a reasonable level of funding to programs supported by its endowment while seeking to enhance the purchasing power of the fund's corpus by striving for long-term growth. Endowment assets include those assets of donor-restricted funds that the Federation must hold in perpetuity or for a donor-specified period as well as those of Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark of equity, fixed income, private equity and real estate peer groups.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Federation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Federation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investment advisors, at the discretion of the Investment Committee of the Board, are given guidelines to the percentage that can be committed to a particular investment or investment category.

Spending Policy and Investment Objectives Related to Spending Policy - As permitted by Act 141 and with the approval of the Board, the Federation annually transfers an amount equal to 5% of the previous three years' market value average of the permanently restricted endowment fund to unrestricted or temporarily restricted net assets for use in current and future operations. Additionally, at the discretion of the Board, the Federation makes discretionary distributions from Board-designated endowment funds in excess of the 5% spending guideline (also as permitted by law) that do not have spending policy restrictions attached. For the years ended June 30, 2015 and 2014, distributions from endowment funds totaled approximately \$4,750,000 and \$5,349,000, respectively, of which approximately \$643,000 and \$1,726,000, respectively, were discretionary distributions. The Federation believes that this spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the Federation's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

NOTE 8 - RESTRICTED NET ASSETS

Restricted net assets as of June 30 consist of the following:

| <u>(Dollars in Thousands)</u>                 | <u>2015</u>             | <u>2014</u>             |
|-----------------------------------------------|-------------------------|-------------------------|
| Endowment                                     | \$ 44,427               | \$ 42,484               |
| Supporting Foundations                        | 11,247                  | 10,542                  |
| Israel Emergency Campaign                     | 17                      | 17                      |
| Operation promise                             | 15                      | 15                      |
| PJEIF and Pre-K Scholarships                  | 189                     | 186                     |
| Renaissance Project                           | <u>(1,245)</u>          | <u>(471)</u>            |
| Temporarily restricted net assets             | \$ <u>54,650</u>        | \$ <u>52,773</u>        |
| Permanently restricted net assets - endowment | \$ <u><u>38,060</u></u> | \$ <u><u>34,027</u></u> |

JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 8 - RESTRICTED NET ASSETS (Continued)

As of June 30, 2015 and 2014, the deficit in net assets related to the Renaissance Project related to funds advanced from the Federation's unrestricted net assets. These advances are expected to be repaid with contributions to the Renaissance Project in future periods.

Net assets were released from restrictions during the years ended June 30, for the following purposes:

| <u>(Dollars in Thousands)</u>    | <u>2015</u>      | <u>2014</u>      |
|----------------------------------|------------------|------------------|
| PJEIF and Pre-K Scholarships     | \$ 4,510         | \$ 4,236         |
| Endowment                        | 4,117            | 4,727            |
| Renaissance Project              | 1,219            | 790              |
| Supporting foundations           | 431              | 1,012            |
| Programs and operational support | 175              | 1,559            |
|                                  | <u>\$ 10,452</u> | <u>\$ 12,324</u> |

NOTE 9 - BONDS PAYABLE

Bonds payable as of June 30 are summarized as follows:

| <u>(Dollars in Thousands)</u>                                                                                                                          | <u>2015</u>      | <u>2014</u>      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| 1996 A Series Tax-Exempt Variable Rate Demand Bonds issue amount of \$21,055 (0.08% at June 30, 2015), payable in varying annual amounts through 2026. | \$ 8,732         | \$ 9,632         |
| 1995 B Series Tax-Exempt Variable Rate Demand Bonds issue amount of \$20,000 (0.09% at June 30, 2015), payable in varying annual amounts through 2025. | 2,665            | 3,620            |
|                                                                                                                                                        | <u>\$ 11,397</u> | <u>\$ 13,252</u> |

The interest on the bonds is determined on the weekly Securities Industry and Financial Markets Association (SIGMA) Municipal Swap and is payable monthly. The bonds are collateralized by irrevocable letters of credit and substantially all the assets of the Federation. The letters of credit are for the full value of the outstanding debt plus the maximum interest rate that could be charged under the bond agreement (12%). The total letters of credit available at June 30, 2015 were approximately \$11,587,000. The letters of credit have an expiration date of December 15, 2016. (See also Note 3 related to reimbursements and guarantees.)

The scheduled annual maturities of bonds payable subsequent to June 30, 2015 are as follows:

| Fiscal Year<br>Ending June 30<br><u>(Dollars in Thousands)</u> | <u>Amount</u>    |
|----------------------------------------------------------------|------------------|
| 2016                                                           | \$ 860           |
| 2017                                                           | 890              |
| 2018                                                           | 915              |
| 2019                                                           | 945              |
| 2020                                                           | 980              |
| Thereafter                                                     | 6,807            |
|                                                                | <u>\$ 11,397</u> |

JEWISH FEDERATION OF GREATER PITTSBURGH  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

NOTE 9 - BONDS PAYABLE (Continued)

The 1995 B and 1996 A Bond Indentures provide for mandatory redemption as selected by the trustee on each April 1 and October 1 through 2026 based on schedules outlined in the Bond Indentures. Under the terms of the 1995 B Series Bond Indenture, the Federation is required to maintain certain deposits with a trustee, which are included in debt service fund cash in the accompanying combined statements of financial position. The indentures for both bond issues place limits on the incurrence of additional borrowings.

NOTE 10 - RETIREMENT PLAN

The Federation maintains a defined contribution plan (Plan) under Section 401(k) of the IRC covering all eligible employees. Participants may contribute up to Internal Revenue Service (IRS) qualified limits of their eligible compensation. In addition, Plan contributions are made on behalf of eligible employees at 3% of the employee's eligible salary, as well as a matching contribution on behalf of participating employees of up to 2% of the participant's eligible salary. Employer contributions to the Plan approximated \$153,000 and \$170,000 for the years ended June 30, 2015 and 2014, respectively.



## SUPPLEMENTARY COMBINING FINANCIAL INFORMATION

JEWISH FEDERATION OF GREATER PITTSBURGH

COMBINING STATEMENTS OF FINANCIAL POSITION

*(Dollars in Thousands)*

|                                        | June 30, 2015     |                    |                                   |                  |
|----------------------------------------|-------------------|--------------------|-----------------------------------|------------------|
|                                        | <u>Federation</u> | <u>Educational</u> | <u>Supporting<br/>Foundations</u> | <u>Total</u>     |
| <b>ASSETS</b>                          |                   |                    |                                   |                  |
| Cash and cash equivalents              | \$ 7,447          | \$269              | \$ 58                             | \$ 7,774         |
| Debt service fund cash                 | 518               | -                  | -                                 | 518              |
| Investments                            | 203,028           | -                  | 12,543                            | 215,571          |
| Campaign pledges receivable, net       | 4,773             | -                  | -                                 | 4,773            |
| Renaissance pledges receivable, net    | 11,397            | -                  | -                                 | 11,397           |
| Other receivables                      | 2,612             | -                  | -                                 | 2,612            |
| Property and equipment, net            | 812               | -                  | -                                 | 812              |
| Prepays and other assets               | 57                | -                  | -                                 | 57               |
| Deferred bond issuance cost, net       | 242               | -                  | -                                 | 242              |
|                                        | <u>230,886</u>    | <u>269</u>         | <u>12,601</u>                     | <u>243,756</u>   |
| Total Assets                           | <u>\$230,886</u>  | <u>\$269</u>       | <u>\$12,601</u>                   | <u>\$243,756</u> |
| <b>LIABILITIES AND NET ASSETS</b>      |                   |                    |                                   |                  |
| <b>LIABILITIES</b>                     |                   |                    |                                   |                  |
| Appropriations payable                 | \$ 217            | -                  | -                                 | \$ 217           |
| Accounts payable and other liabilities | 870               | -                  | \$ 846                            | 1,716            |
| Amounts of agency funds held           | 88,566            | -                  | -                                 | 88,566           |
| Amounts held for charitable trusts     | 4,005             | -                  | -                                 | 4,005            |
| Intra-agency (receivable) payable      | (588)             | \$ 80              | 508                               | -                |
| Bonds payable                          | 11,397            | -                  | -                                 | 11,397           |
|                                        | <u>104,467</u>    | <u>80</u>          | <u>1,354</u>                      | <u>105,901</u>   |
| Total Liabilities                      | 104,467           | 80                 | 1,354                             | 105,901          |
| <b>NET ASSETS</b>                      |                   |                    |                                   |                  |
| Unrestricted                           |                   |                    |                                   |                  |
| Board-designated                       | 10,389            | -                  | -                                 | 10,389           |
| Undesignated                           | 34,756            | -                  | -                                 | 34,756           |
| Total Unrestricted                     | 45,145            | -                  | -                                 | 45,145           |
| Temporarily restricted                 | 43,214            | 189                | 11,247                            | 54,650           |
| Permanently restricted                 | 38,060            | -                  | -                                 | 38,060           |
|                                        | <u>126,419</u>    | <u>189</u>         | <u>11,247</u>                     | <u>137,855</u>   |
| Total Net Assets                       | 126,419           | 189                | 11,247                            | 137,855          |
| Total Liabilities And Net Assets       | <u>\$230,886</u>  | <u>\$269</u>       | <u>\$12,601</u>                   | <u>\$243,756</u> |

June 30, 2014

| <u>Federation</u> | <u>Educational</u> | <u>Supporting<br/>Foundations</u> | <u>Total</u>     |
|-------------------|--------------------|-----------------------------------|------------------|
| \$ 4,536          | \$287              | \$ 100                            | \$ 4,923         |
| 518               | -                  | -                                 | 518              |
| 190,664           | -                  | 11,859                            | 202,523          |
| 2,852             | -                  | -                                 | 2,852            |
| 12,227            | -                  | -                                 | 12,227           |
| 2,390             | -                  | -                                 | 2,390            |
| 727               | -                  | -                                 | 727              |
| 31                | -                  | -                                 | 31               |
| 264               | -                  | -                                 | 264              |
| <u>\$214,209</u>  | <u>\$287</u>       | <u>\$11,959</u>                   | <u>\$226,455</u> |

|        |       |        |        |
|--------|-------|--------|--------|
| \$ 432 | -     | -      | \$ 432 |
| 1,024  | -     | \$ 823 | 1,847  |
| 78,583 | -     | -      | 78,583 |
| 4,075  | -     | -      | 4,075  |
| (695)  | \$101 | 594    | -      |
| 13,252 | -     | -      | 13,252 |

|        |     |       |        |
|--------|-----|-------|--------|
| 96,671 | 101 | 1,417 | 98,189 |
|--------|-----|-------|--------|

|                  |              |                 |                  |
|------------------|--------------|-----------------|------------------|
| 10,347           | -            | -               | 10,347           |
| 31,119           | -            | -               | 31,119           |
| 41,466           | -            | -               | 41,466           |
| 42,045           | 186          | 10,542          | 52,773           |
| 34,027           | -            | -               | 34,027           |
| <u>117,538</u>   | <u>186</u>   | <u>10,542</u>   | <u>128,266</u>   |
| <u>\$214,209</u> | <u>\$287</u> | <u>\$11,959</u> | <u>\$226,455</u> |

See notes to the combining financial statements.

JEWISH FEDERATION OF GREATER PITTSBURGH

COMBINING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

(Dollars in Thousands)

|                                                      | 2015       |             |                        |
|------------------------------------------------------|------------|-------------|------------------------|
|                                                      | Federation | Educational | Supporting Foundations |
|                                                      |            |             | Total                  |
| <b>PUBLIC SUPPORT</b>                                |            |             |                        |
| Contributions:                                       |            |             |                        |
| Campaign contributions                               | \$ 13,496  | -           | -                      |
| Contributions to Foundation                          | 11,791     | -           | \$ 1,021               |
| Jewish Healthcare Foundation                         | 900        | -           | -                      |
| Renaissance Project                                  | 445        | -           | -                      |
| Program revenue                                      | 3,606      | -           | -                      |
| Contributions - corporations                         | -          | \$4,907     | -                      |
| Campaign contributions paid from donor-advised funds | (1,291)    | -           | -                      |
| Total Public Support                                 | 28,947     | 4,907       | 1,021                  |
| <b>REVENUE</b>                                       |            |             |                        |
| Dividends and interest income                        | 3,147      | 3           | 321                    |
| Realized and unrealized (depreciation) appreciation  | (353)      | -           | 282                    |
| Change in value of split-interest agreements         | 384        | -           | -                      |
| Other interest income                                | 19         | -           | -                      |
| Total Revenue                                        | 3,197      | 3           | 603                    |
| Total Public Support And Revenue                     | 32,144     | 4,910       | 1,624                  |
| <b>EXPENSES</b>                                      |            |             |                        |
| Program services                                     | 19,800     | -           | 431                    |
| Scholarship expense                                  | -          | 4,510       | -                      |
| Fundraising                                          | 2,640      | 115         | 5                      |
| General and administrative                           | 1,437      | 127         | 24                     |
| Intra-agency (revenue) expenses                      | (614)      | 153         | 461                    |
| Total Expenses                                       | 23,263     | 4,905       | 921                    |
| Changes In Net Assets                                | 8,881      | 5           | 703                    |
| <b>NET ASSETS</b>                                    |            |             |                        |
| Beginning of year                                    | 117,538    | 186         | 10,542                 |
| End of year                                          | \$126,419  | \$ 191      | \$11,245               |

| 2014              |                    |                                   |                  |
|-------------------|--------------------|-----------------------------------|------------------|
| <u>Federation</u> | <u>Educational</u> | <u>Supporting<br/>Foundations</u> | <u>Total</u>     |
| \$ 10,725         | -                  | -                                 | \$ 10,725        |
| 8,568             | -                  | \$ 5,507                          | 14,075           |
| 900               | -                  | -                                 | 900              |
| 732               | -                  | -                                 | 732              |
| 2,377             | -                  | -                                 | 2,377            |
| -                 | \$4,357            | -                                 | 4,357            |
| (1,537)           | -                  | -                                 | (1,537)          |
| <u>21,765</u>     | <u>4,357</u>       | <u>5,507</u>                      | <u>31,629</u>    |
| 2,076             | 1                  | 59                                | 2,136            |
| 9,507             | -                  | 1,022                             | 10,529           |
| 584               | -                  | -                                 | 584              |
| 31                | -                  | -                                 | 31               |
| <u>12,198</u>     | <u>1</u>           | <u>1,081</u>                      | <u>13,280</u>    |
| 33,963            | 4,358              | 6,588                             | 44,909           |
| 21,372            | -                  | 1,012                             | 22,384           |
| -                 | 4,236              | -                                 | 4,236            |
| 2,195             | 103                | 17                                | 2,315            |
| 1,426             | 13                 | 35                                | 1,474            |
| (2,170)           | 166                | 2,004                             | -                |
| <u>22,823</u>     | <u>4,518</u>       | <u>3,068</u>                      | <u>30,409</u>    |
| 11,140            | (160)              | 3,520                             | 14,500           |
| 106,398           | 346                | 7,022                             | 113,766          |
| <u>\$117,538</u>  | <u>\$ 186</u>      | <u>\$10,542</u>                   | <u>\$128,266</u> |

See notes to the combining financial statements.

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