

**JEWISH FEDERATION OF
METROPOLITAN DETROIT
AND UNITED JEWISH FOUNDATION**

Bloomfield Hills, Michigan

May 31, 2016 and 2015

COMBINED FINANCIAL STATEMENTS

Including Independent Auditor's Report

**JEWISH FEDERATION OF METROPOLITAN DETROIT
AND UNITED JEWISH FOUNDATION**

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Independent Auditor's Report

To the Board of Governors of the
Jewish Federation of Metropolitan Detroit and the
Board of Directors of the United Jewish Foundation

We have audited the accompanying combined financial statements of the Jewish Federation of Metropolitan Detroit and the United Jewish Foundation (the "Organizations"), which comprise the combined statement of financial position as of May 31, 2016 and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

To the Board of Governors of the
Jewish Federation of Metropolitan Detroit and the
Board of Directors of the United Jewish Foundation

Opinion

In our opinion, the 2016 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Jewish Federation of Metropolitan Detroit and the United Jewish Foundation as of May 31, 2016 and the combined changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The prior year summarized comparative information has been derived from the Organizations' 2015 combined financial statements and, in our report dated October 13, 2015, we expressed an unmodified opinion on those financial statements.

Plante & Moran, PLLC

October 13, 2016

JEWISH FEDERATION OF METROPOLITAN DETROIT AND UNITED JEWISH FOUNDATION

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended May 31, 2016
(With Comparative Combined Totals for the Year Ended May 31, 2015)

	Jewish Federation of Metropolitan Detroit		United Jewish Foundation		Eliminating Adjustments	2016 Combined	2015 Combined	
	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted				Total UJF
OPERATING REVENUE AND SUPPORT								
Public support from contributions Revenue	\$ 36,368,954	\$ 35,588,730	\$ 4,074,436	\$ 1,709,986	\$ 41,373,152	\$ (9,307,814)	\$ 68,434,292	\$ 65,665,133
Investment income (loss) (including unrealized gains and losses)	10,668	(19,749,884)	1,977,380	-	(17,772,504)	-	(17,761,836)	21,028,692
Loss on disposition of assets	-	(51,405)	-	-	(51,405)	-	(51,405)	-
Interorganization appropriations	10,910,768	2,686,100	479,439	-	3,165,539	(14,076,307)	-	-
Miscellaneous fees and other	4,220,971	4,262,097	(720,803)	(410,988)	3,130,306	(225,000)	7,126,277	5,305,266
Net assets released from restrictions	-	11,947,774	(11,943,748)	(4,026)	-	-	-	-
Total Revenue	15,142,407	(905,318)	(10,207,732)	(415,014)	(11,528,064)	(14,301,307)	(10,686,964)	26,333,958
Total Operating Revenue and Support	51,511,361	34,683,412	(6,133,296)	1,294,972	29,845,088	(23,609,121)	57,747,328	91,999,091
OPERATING EXPENSES								
Program Services								
Distributions								
Federation's annual campaign	-	9,307,814	-	-	9,307,814	(9,307,814)	-	-
Jewish Federations of North America and overseas	10,195,944	173,000	-	-	173,000	-	10,368,944	10,619,010
Local agencies	23,044,362	24,490,718	-	-	24,490,718	(14,076,307)	33,458,773	29,331,587
Other charitable organizations	1,284,768	19,988,534	-	-	19,988,534	-	21,273,302	29,430,274
Other	9,182,556	6,030,498	-	-	6,030,498	-	15,213,054	14,432,501
Total Program Services	43,707,630	59,990,564	-	-	59,990,564	(23,384,121)	80,314,073	83,813,372
Support Services								
Administrative	4,770,175	449,270	-	-	449,270	(225,000)	4,994,445	4,618,114
Financial resource development	2,087,934	-	-	-	-	-	2,087,934	2,779,255
Bad debt (recovery) expense	(340,627)	(111,899)	-	-	(111,899)	-	(452,526)	268,132
Other	63,249	17,310	-	-	17,310	-	80,559	148,175
Total Support Services	6,580,731	354,681	-	-	354,681	(225,000)	6,710,412	7,813,676
Total Operating Expenses	50,288,361	60,345,245	-	-	60,345,245	(23,609,121)	87,024,485	91,627,048
Increase (Decrease) in Net Assets from Operations	1,223,000	(25,661,833)	(6,133,296)	1,294,972	(30,500,157)	-	(29,277,157)	372,043
Transfer of funds	-	(12,289,112)	5,971,469	6,317,643	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	1,223,000	(37,950,945)	(161,827)	7,612,615	(30,500,157)	-	(29,277,157)	372,043
NET ASSETS - Beginning of Year	7,422,323	245,259,240	52,384,373	176,504,912	474,148,525	-	481,570,848	481,198,805
NET ASSETS - END OF YEAR	\$ 8,645,323	\$ 207,308,295	\$ 52,222,546	\$ 184,117,527	\$ 443,648,368	\$ -	\$ 452,293,691	\$ 481,570,848

See accompanying notes to combined financial statements.

JEWISH FEDERATION OF METROPOLITAN DETROIT AND UNITED JEWISH FOUNDATION

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended May 31, 2016
(With Comparative Combined Totals for the Year Ended May 31, 2015)

	Jewish Federation of Metropolitan Detroit			United Jewish Foundation			2016 Combined	2015 Combined
	Direct Programs	Administrative Services	Financial Resource Development	Direct Programs	Administrative Services	Eliminating Adjustments		
DISTRIBUTIONS								
Federation's annual campaign	\$ -	\$ -	\$ -	\$ 9,307,814	\$ -	\$ (9,307,814)	\$ -	\$ -
Jewish Federations of North America and overseas	10,195,944	-	-	173,000	-	-	10,368,944	10,619,010
Local agencies	23,044,362	-	-	24,490,718	-	(14,076,307)	33,458,773	29,331,587
Other charitable organizations	1,284,768	-	-	19,988,534	-	-	21,273,302	29,430,274
Total Distributions	34,525,074	-	-	53,960,066	-	(23,384,121)	65,101,019	69,380,871
OPERATING EXPENSES								
Other program services	366,770	-	-	53,865	-	-	420,635	486,963
Salaries and wages	4,571,143	2,906,429	1,327,581	-	-	-	8,805,153	8,568,993
Employee benefits	614,158	714,482	236,028	-	-	-	1,564,668	1,660,703
Other personnel	362,109	221,121	73,048	-	-	-	656,278	658,144
Rent and building costs	117,513	83,463	24,024	1,094,814	21,303	(225,000)	1,116,117	697,961
Professional services	499,040	192,387	-	240,090	198,344	-	1,129,861	811,691
Meetings and events	1,343,762	182,349	117,991	-	-	-	1,644,102	1,631,222
Missions	685,888	-	-	-	-	-	685,888	1,026,414
Marketing	156,396	34,042	39,801	-	-	-	230,239	205,281
Professional development and donor cultivation	189,885	98,153	49,980	-	-	-	338,018	196,616
Interest and bank fees	5,935	-	110,388	59,988	108,758	-	285,069	289,723
Postage	25,872	47,887	15,820	-	-	-	89,579	89,879
Office expense	16,321	36,607	16,556	-	-	-	69,484	90,430
Property expenses	-	-	-	351,524	13,325	-	364,849	581,498
Equipment repairs and maintenance	48,517	90,306	29,833	-	-	-	168,656	139,345
Information technology support	70,737	117,816	38,920	-	-	-	227,473	286,669
Telephone	16,076	28,760	7,964	-	-	-	52,800	69,690
Insurance	9,794	16,373	-	20,096	55,286	-	101,549	82,223
Other	-	-	-	189,483	52,254	-	241,737	131,018
Total Operating Expenses Before Depreciation and Bad Debt	9,099,916	4,770,175	2,087,934	2,009,860	449,270	(225,000)	18,192,155	17,704,463
Depreciation	82,640	49,533	13,716	4,020,638	17,310	-	4,183,837	4,273,582
Bad debt (recovery) expense	-	-	(340,627)	-	(111,899)	-	(452,526)	268,132
TOTAL OPERATING EXPENSES	\$ 43,707,630	\$ 4,819,708	\$ 1,761,023	\$ 59,990,564	\$ 354,681	\$ (23,609,121)	\$ 87,024,485	\$ 91,627,048

JEWISH FEDERATION OF METROPOLITAN DETROIT AND UNITED JEWISH FOUNDATION

COMBINED STATEMENT OF CASH FLOWS
Years Ended May 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in net assets	\$ (29,277,157)	\$ 372,043
Adjustments to reconcile (decrease) increase in net assets to net cash flows from operating activities		
Depreciation	4,183,837	4,273,582
Bad debt (recovery) expense	(452,526)	268,132
Change in value of liability for charitable trust annuities	990,210	4,376,654
Net unrealized loss (gain) on investments	31,238,388	(3,303,815)
Net realized gain on investments	(1,519,733)	(13,794,992)
Loss on disposals of donated real estate and other interests and property and equipment	51,405	-
Partnership and other investment loss	507,067	325,553
Contributions restricted for permanent investment	(2,559,986)	(11,940,349)
Contribution of donated real estate and other interests held for investment	(213,400)	(650,000)
Increase (decrease) in assets and liabilities		
Accounts receivable	(2,527,047)	(824,705)
Pledges receivable	3,336,445	4,326,820
Advances and other assets	(425,647)	270,648
Appropriations payable, trade accounts, and other payables	6,499,044	(2,971,148)
Constituent agencies and other deposits	(932,140)	4,473,477
Other organizations payable	(399,031)	2,734,266
Contributions designated for future periods and charitable trust annuities payable	(385,366)	370
Net Cash Flows from Operating Activities	<u>8,114,363</u>	<u>(12,063,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of donated real estate and other interests held for investment	647,584	-
Net (uses) proceeds from (purchases) uses of investments	(5,152,228)	12,483,585
Purchases of property and equipment	(5,073,840)	(2,520,525)
Proceeds from collection of notes receivable	1,928,264	2,311,296
Net Cash Flows from Investing Activities	<u>(7,650,220)</u>	<u>12,274,356</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts on contributions restricted for permanent investment	1,429,986	1,950,349
Payments on charitable trust annuities	(2,127,781)	(2,000,970)
Net proceeds (payments) on (issuance) bonds and notes payable	235,513	(158,428)
Net Cash Flows from Financing Activities	<u>(462,282)</u>	<u>(209,049)</u>
Net Increase in Cash and Cash Equivalents	1,861	1,843
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>495,493</u>	<u>493,650</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 497,354</u>	<u>\$ 495,493</u>
Supplemental cash flow disclosures		
Cash paid for interest	<u>\$ 58,771</u>	<u>\$ 68,050</u>
Cash paid for income taxes	<u>\$ 25,754</u>	<u>\$ 4,447</u>

See accompanying notes to combined financial statements.

**JEWISH FEDERATION OF METROPOLITAN DETROIT
AND UNITED JEWISH FOUNDATION**

NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 1 – Organization

Organization

The Jewish Federation of Metropolitan Detroit (JFMD) and the United Jewish Foundation (UJF) are central organizations of the Jewish community. JFMD is the operating entity, which conducts various annual campaigns to raise funds to support local, national, and overseas agencies. UJF retains custody of property and investments held for the long-term benefit of the community. JFMD and UJF, although separate legal entities with separate governance, are referred to as the “organizations” throughout this report and are combined herein because they are under common management.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the organizations have been prepared on the accrual basis of accounting.

The organizations classify resources for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three categories is as follows:

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organizations. Generally, donors of these assets require the organizations to maintain and invest the original contributions, but permit the use of investment earnings for general or specific purposes.

Temporarily Restricted Net Assets – Net assets whose use by the organizations is subject to donor-imposed stipulations that can be fulfilled by actions of the organizations pursuant to those stipulations or that expire by the passage of time.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Boards or may otherwise be limited to contractual agreements with outside parties.

Cash and Cash Equivalents

The organizations define cash and cash equivalents as highly liquid, short-term investments with a maturity date of three months or less. Cash and cash equivalents held with investment advisors are included in investments.

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 2 – Summary of Significant Accounting Policies (continued)

Contributions

Contributions are generally reported as increases to unrestricted net assets, unless the related assets are limited by donor-imposed restrictions. Contributions and investment income with donor-imposed restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when expenses are incurred that satisfy the donor-imposed restrictions or upon expiration of donor-imposed time restrictions. Contributions are unconditional transfers of cash or other assets. Other assets include securities, land, buildings, and unconditional promises to give those items or financial support in the future. Contributions of securities and other assets are measured at their fair value at the date of receipt. Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Support Foundations and Philanthropic Funds

Unrestricted net assets of UJF include various support foundations and philanthropic funds. Support foundations are governed by individual Boards of Directors (“the Boards”). However, the support foundations are included in the financial statements because of their shared purpose with UJF in supporting JFMD. These foundations have total assets of \$80,228,273 and \$88,977,781 as of May 31, 2016 and 2015, respectively. Philanthropic funds have total assets of \$73,016,397 and \$92,896,311 at May 31, 2016 and 2015, respectively.

Although support foundations and philanthropic funds are unrestricted, donors may suggest distributions to organizations exempt under Section 501(c)(3) of the Internal Revenue Code. Donors may also provide UJF direction as to the use of these funds, which may result in transfers of funds to temporarily or permanently restricted net assets.

Constituent Agency Deposits

Deposits from constituent agencies and other organizations are reported in the UJF portfolio at fair value on the combined statement of financial position. Changes in the fair value of these deposits are reflected as a change in the corresponding liability on the combined statement of financial position. These transactions are not included in the combined statement of activities and changes in net assets. Investment (loss) income related to these deposits totaled (\$2,866,940) and \$2,088,527 for the years ended May 31, 2016 and 2015, respectively, and is recorded as a decrease or increase, respectively, to the related liability.

**JEWISH FEDERATION OF METROPOLITAN DETROIT
AND UNITED JEWISH FOUNDATION**

NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 2 – Summary of Significant Accounting Policies (continued)

Investments

The United Jewish Foundation manages the investment portfolio for the benefit of JFMD and UJF funds. The investment portfolio is comprised of equity securities, debt securities, hedge funds, funds of funds, and private equity investments. The Foundation records all investment in equity and debt securities with readily determinable fair values, based on published quotations at fair value in accordance with generally accepted accounting principles.

Each UJF fund carries its investment account based upon its original contribution, adjusted for subsequent receipts and disbursements and allocation of investment income. Each fund is allocated a portion of the portfolio's actual earnings, based on that fund's account balance.

JFMD and UJF invest in various investment funds (the "Funds") with investment managers who manage investment partnerships, managed accounts, commodity funds, hedge funds, and private equity funds which employ diversified styles and strategies. The goal of these investments is to generate a long-term return with less risk than the equity market. The net asset value of these investments is calculated by the investment manager based on prices and valuations supplied to it by the underlying investment or money manager, or similar financial data provider. Market values as of May 31, 2016 and 2015 are based on monthly valuations provided by the managers of the funds. Management, in coordination with the UJF investment committee and the investment consultant, obtains and considers the audited financial statements issued by nationally recognized accounting firms of such investments when evaluating the overall reasonableness of carrying value. Because of the inherent uncertainty of valuations, values may differ materially from values had a ready market existed.

The investment managers may utilize a variety of financial instruments in their trading strategies, including equity and debt securities of U.S. and foreign issuers as well as a variety of derivative instruments. Several of these financial instruments contain varying degrees of off-balance-sheet risk whereby changes in market value of the securities underlying the financial instruments may be in excess of the amounts recorded on the investments' balance sheet. However, due to the nature of JFMD and UJF's limited interest in these funds, JFMD and UJF's risk with respect to such transactions is limited to its capital balance in each fund.

Pledges Receivable

The organizations receive pledges and bequests of financial support. Support revenue is recognized when pledges representing unconditional promises to give are received. In the absence of such promises, revenue is recognized when pledges are paid. Conditional promises to give are not included as support until the conditions are met.

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 2 – Summary of Significant Accounting Policies (continued)

Pledges Receivable (continued)

Unconditional promises to give that are expected to be collected in future years are recorded as pledges receivable in the year promised at the present value of expected future cash flows, net of an allowance for uncollectible amounts. The present value of such amounts is computed using appropriate discount rates ranging from 0.6 to 1.6 percent based on the years in which the promises are received and commensurate with the expected payment dates.

An allowance for uncollectible amounts is provided based on management's judgment. The determination includes such factors as prior collection history, type of contributions, and nature of fundraising.

Notes Receivable

Notes receivable are reported at the original issue amount plus accrued interest, less principal repaid. Interest is recognized according to terms of the specific notes. Notes and loans receivable consist primarily of amounts due to UJF from related parties (see Note 7).

The organizations consider a financing loan receivable to be impaired when, based upon current information and events, it believes it is probable that the organizations will be unable to collect all amounts due according to the contractual terms of the loan agreement. The organizations had \$346,370 in loans 90 days or more past due and considered to be impaired or uncollectible as of May 31, 2016 and 2015. The full balance of these loans has been recorded as an allowance for uncollectible loans.

Donated Real Estate and Other Interests Held for Investment

Donated real estate and other interests held for investment consist of donated real estate or interests in real estate, carried at \$11,615,900 and \$11,881,500 as of May 31, 2016 and 2015, respectively, and donated interests in partnerships and trusts carried at \$1,143,629 and \$1,702,583 as of May 31, 2016 and 2015, respectively. The assets are recorded at their estimated fair values at the date of donation, as determined by independent appraisals. Subsequent to initial acquisition, donated interests in partnerships and trusts are accounted for under the cost or equity method, depending on the ownership level.

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 2 – Summary of Significant Accounting Policies (continued)

Donated Real Estate and Other Interests Held for Investment (continued)

Also included in donated real estate and other interests held for investments are single premium annuity contracts related to life insurance policies on the respective donor's life, carried at \$4,075,979 as of May 31, 2016 and 2015. The organizations record these transactions in accordance with generally accepted accounting principles for deposit accounting. The organizations will ultimately receive, at a minimum, the original amount invested, plus interest, via annuity payments and death benefits. Since there is no transfer of risk associated with the life insurance policies, the related annuity and life insurance investments are accounted for as deposit transactions. Life insurance premium payments are recorded in a deposit account and are offset by the return of the principal portion of the annuity payments.

Advances and Other Assets

Included in advances and other assets is the cash surrender value of donated life insurance policies whereby UJF has been named as the beneficiary. The total cash surrender value of life insurance policies included in advances and other assets was \$2,201,834 and \$2,113,750 as of May 31, 2016 and 2015, respectively.

Property and Equipment

Property and equipment are recorded at cost or, if acquired by gift, at fair value as of the date of donation. Depreciation of equipment is provided using the straight-line method over estimated useful lives of 3 to 10 years. Buildings and building renovations are depreciated using the straight-line method over periods of 10 to 30 years. Upon retirement or sale, the cost of disposed assets and the related accumulated depreciation are removed from the accounts, and any resulting gains or losses are recorded as increases or decreases in the combined statement of activities and changes in net assets. Repair and maintenance costs are expensed as incurred.

Property and equipment include land, buildings, and other property used by the organizations and their constituent agencies.

Impairment of Long-Lived Assets

The organizations review long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 2 – Summary of Significant Accounting Policies (continued)

Appropriations Payable

Appropriations payable represent awards to constituent and other agencies as of May 31, with payments expected to be made generally throughout the next fiscal year. Also included in the UJF appropriations payable are certain multi-year awards granted by various philanthropic funds.

Charitable Trust Annuities Payable

Certain donors have established irrevocable split-interest agreements with the organizations, primarily charitable gift annuities, pooled life income funds, and irrevocable charitable remainder trusts, whereby the donated assets are invested and distributions are made to the donor and/or other beneficiaries in accordance with the agreement for a specified period of time, at which time the remaining assets and future investment return are retained by the organizations. The organizations typically serve as trustee for the split-interest agreement.

The organizations have recorded the estimated fair value of the investments associated with irrevocable split-interest agreements and an estimated liability, using various discount rates for the net present value of the future cash outflows to beneficiaries. For the years ended May 31, 2016 and 2015, the combined statement of activities and changes in net assets included a decrease to other operating income for changes in the estimated liability for split-interest agreements of (\$1,766,954) and (\$3,777,112), respectively, and investment (loss) income included in investment income of (\$1,152,091) and \$608,985, respectively. Net assets of these trusts amounted to \$4,338,900 and \$5,334,578 at May 31, 2016 and 2015, respectively. Assets held in split-interest agreements, which are included in investments, totaled \$17,982,775 and \$20,316,094 as of May 31, 2016 and 2015, respectively.

Contributions Designated for Future Periods

Contributions designated for future periods represent the residual value of a charitable trust annuity agreement which is subject to donor control and has, therefore, been deferred pending final donor resolution of the distribution of the funds.

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 2 – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The organizations have estimated the fair value of their financial instruments using the following methods and assumptions:

The carrying amounts of cash, accounts receivable, pledges receivable, appropriations payable, and accounts payable approximate fair value due to their short-term nature, and the carrying amounts of the organizations' notes receivable and long-term debt are considered to approximate fair value because current rates approximate market rates available on instruments with similar terms and credit risk.

The fair value of the financial instruments above is determined using Level 2 inputs as described in Note 3.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

UJF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Allocation of Expenses

The organizations adhere to generally accepted accounting principles in reporting expenses according to their functional classifications. Accordingly, certain costs have been allocated among the programs and support services benefited. Although the methods used are considered reasonable, other methods could be used that would produce a different result.

Risks and Uncertainties

The organizations hold various investments in any combination of stocks, bonds, fixed-income securities, mutual funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Given the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect investment balances and the amounts reported in the combined statement of financial position and the combined statement of activities and changes in net assets.

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 2 – Summary of Significant Accounting Policies (continued)

Tax-Exempt Status

The organizations are Michigan nonprofit corporations under Section 509(a)(3) of the Internal Revenue Code that have been granted an exemption from the payment of income taxes under Section 501(c)(3) and have been determined to be other than private foundations. The organizations' management believes that the organizations continue to operate in a manner that preserves their tax-exempt status.

Use of Estimates

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

Prior Year Financial Information

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organizations' financial statements for the year ended May 31, 2015, from which the summarized information was derived.

Subsequent Events

The organizations have evaluated subsequent events through October 13, 2016, which is the date that the combined financial statements were approved and available to be issued.

Upcoming Accounting Pronouncement – Not-for Profit Entities Financial Reporting Model

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the organizations, including required disclosures about the liquidity and availability of resources. The new standard is effective for the organizations' year ending May 31, 2019 and thereafter and must be applied on a retrospective basis. The organizations are currently evaluating the impact this standard will have on the combined financial statements.

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NOTE 3 – Fair Value Measurements

As defined in the accounting standards, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the organizations use various valuation methods including the market, income, and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible, the organizations attempt to utilize valuation methods that maximize the use of observable inputs. Based on the observability of the inputs used in the valuation methods, the organizations are required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported, and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities

Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3 - Unobservable inputs that are not corroborated by market data

The organizations hold as an investment various equity and fixed-income investments that are publicly traded securities. Fair values are based on quoted prices and are classified as Level 1. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals and net asset values. The organizations hold no investments that would be classified as Level 3. The organizations' policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of the fair value hierarchy during the years ended May 31, 2016 and 2015.

During the year ended May 31, 2015, the organizations adopted Accounting Standards Update 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which changes the required disclosures for investments where fair value is measured using net asset value per share (or its equivalent) as a practical expedient. As a result of implementing this standard, the fund's investments valued at net asset value (NAV) are no longer classified as Level 1, 2, or 3 in the fair value hierarchy.

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NOTE 3 – Fair Value Measurements (continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	May 31, 2016			
	Total	Level 1	Level 2	Valued at NAV
Pooled Income Portfolio				
Money market	\$ 30,787,433	\$ 30,787,433	\$ -	-
Mutual Funds:				
Equity	148,883,175	125,504,016	-	23,379,159
Debt	41,635,141	25,085,511	-	16,549,630
Multi Strategy	49,390,944	49,390,944	-	
Real Assets	16,600,959	16,600,959	-	
Liquid Limited Partnerships'				
Equity	5,296,446	-	-	5,296,446
Alternative Investments:				
Direct hedge funds	99,756,906	-	-	99,756,906
Private equity	15,734,637	-	-	15,734,637
Total Pooled Income Portfolio	<u>408,085,641</u>	<u>247,368,863</u>	<u>-</u>	<u>160,716,778</u>
Other:				
Money market	4,314,405	4,314,405	-	-
Israel bonds	3,935,500	-	3,935,500	-
Certificate of deposit	1,888,913	1,888,913	-	-
Common stocks	17,226,023	17,081,938	-	144,085
U.S. government debt	352,401	352,401	-	-
Corporate debt	376,625	376,625	-	-
Mutual Funds:				
Equity	5,980,416	5,976,775	-	3,641
Debt	680,611	680,611	-	-
Multi Strategy	-	-	-	-
Pooled Investment Fund	4,779,150	-	-	4,779,150
Direct Hedge Fund	2,659,794	-	-	2,659,794
Total Other Investments	<u>42,193,838</u>	<u>30,671,668</u>	<u>3,935,500</u>	<u>7,586,670</u>
Total Investments	<u>\$ 450,279,479</u>	<u>\$ 278,040,531</u>	<u>\$ 3,935,500</u>	<u>\$ 168,303,448</u>

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NOTE 3 – Fair Value Measurements (continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	May 31, 2015			
	Total	Level 1	Level 2	Valued at NAV
Pooled Income Portfolio				
Money market	\$ 19,645,739	\$ 19,645,739	\$ -	-
Mutual Funds:				
Equity	149,932,543	110,049,486	-	39,883,057
Debt	45,264,469	28,031,204	-	17,233,265
Multi Strategy	46,246,484	46,246,484	-	-
Real Assets	19,125,181	19,125,181	-	-
Liquid Limited Partnerships				
Equity	5,747,972	-	-	5,747,972
Alternative Investments:				
Direct hedge funds	-	-	-	-
Global asset allocation	125,897,761	-	-	125,897,761
Private equity	15,544,615	-	-	15,544,615
Total Pooled Income Portfolio	<u>427,404,764</u>	<u>223,098,094</u>	<u>-</u>	<u>204,306,670</u>
Other:				
Money market	2,104,243	2,104,243	-	-
Israel bonds	3,959,500	-	3,959,500	-
Certificate of deposit	3,488,652	3,488,652	-	-
Common stocks	19,769,107	19,769,107	-	-
U.S. Government Debt	214,249	214,249	-	-
Corporate Debt	307,500	307,500	-	-
Mutual funds:				
Equity	8,433,377	8,429,736	-	3,641
Debt	182,184	182,184	-	-
Multi-strategy	1,305,428	1,305,428	-	-
Pooled Investment Fund	4,949,005	-	-	4,949,005
Direct Hedge Fund	2,727,897	-	-	2,727,897
Total Other Investments	<u>47,441,142</u>	<u>35,801,099</u>	<u>3,959,500</u>	<u>7,680,543</u>
Total Investments	<u>\$ 474,845,906</u>	<u>\$ 258,899,193</u>	<u>\$ 3,959,500</u>	<u>\$ 211,987,213</u>

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 3 – Fair Value Measurements (continued)

Investment Type	Investment Objective	Percentage	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Fund of Funds	Invest in a diversified set of hedge fund managers to produce equity-like returns, but with reduced volatility. Underlying hedge fund manager strategies include directional equity (i.e., long/short equity) and non-directional strategies (i.e., market neutral, multi-strategy, arbitrage, relative value and event driven).	100%	None	Quarterly	90 days
Direct Hedge Funds	Invest directly in debt, equity and derivative securities to produce equity-like returns, but with reduced volatility. Strategies employed include long/short equity, multi-strategy, arbitrage, relative value and event driven. Beta exposure to markets will vary based on the degree of hedging utilized by the managers. Approximately 56 percent of the funds within this category are subject to an investor gate which allows for only 25 percent redemption during any three-month period.	100%	None	Quarterly - Biennially	45-120 days
Global Asset Allocation Fund	Allocate assets across the full range of asset classes, including fixed income, equities and commodities to create a diversified portfolio that adds value primarily through tactical asset allocation decisions. Underlying investments may include mutual funds, hedge funds, derivatives and individual securities.	100%	None	Monthly	10 days
Private Equity	Invest directly in securities of companies that are generally not actively traded at the time of investment, securities that are perceived to be trading at distressed levels (many of which are illiquid), or a basket of private equity funds that invest in said securities. Additionally, make acquisitions of private equity limited partnership interests and direct investment portfolios with a focus of acquiring these interests at a significant discount. Investments may be in U.S. or foreign markets, and returns are expected to be higher than those that can be achieved in equity markets, albeit with higher expected volatility. Funds within this category are not redeemable. Certain funds within this category will be redeemable quarterly upon 60 days' notice following the expiration of an initial 12-month lock-up period.	35%	\$ 3,212,328	N/A	N/A
		65%	None	Quarterly	60 days
Liquid Limited Partnerships	Invest directly in publicly traded equity securities, fixed-income securities or futures through a commingled vehicle. Though the underlying securities have daily liquidity, funds within this category may offer liquidity ranging from daily to monthly.	100%	None	Monthly	30 days

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NOTE 4 – Investments

Investment income includes realized gains of \$1,519,733 and \$13,794,992, unrealized (losses) gains of \$(31,238,388) and \$3,303,815, and interest and dividends of \$9,686,502 and \$6,332,211 (net of \$718,521 and \$808,728 in fees), in each case for the years ended May 31, 2016 and 2015, respectively. Investment income in the organizations' combined statement of activities and changes in net assets is presented net of investment income earned on amounts held for constituent agencies and other deposits, charitable trust annuities payable, and other organizations payable.

NOTE 5 – Accounts Receivable

Accounts receivable consists of the following as of May 31:

	2016			2015
	JFMD	UJF	Combined	
Advances to constituent agencies	\$ 22,488	\$ 6,946,986	\$ 6,969,474	\$ 4,922,824
Other receivables	146,972	603,745	750,717	335,754
Total gross accounts receivable	169,460	7,550,731	7,720,191	5,258,578
Allowance for uncollectible amounts	(22,488)	(730,560)	(753,048)	(815,332)
Net accounts receivable	<u>\$ 146,972</u>	<u>\$ 6,820,171</u>	<u>\$ 6,967,143</u>	<u>\$ 4,443,246</u>

NOTE 6 – Pledges Receivable

	2016			2015
	JFMD	UJF	Combined	Net Receivables
Gross pledges receivable	\$ 24,851,149	\$ 15,106,362	\$ 39,957,511	\$ 43,311,481
Allowance for uncollectible amounts	(4,083,854)	(2,403,827)	(6,487,681)	(7,848,706)
Unamortized discount	-	(2,190,391)	(2,190,391)	(2,433,181)
Net pledges receivable	<u>\$ 20,767,295</u>	<u>\$ 10,512,144</u>	<u>\$ 31,279,439</u>	<u>\$ 33,029,594</u>

Payments on pledges receivable at May 31, 2016 are expected to be received as follows:

	JFMD	UJF	Combined
Within one year	\$ 24,851,149	\$ 2,309,802	\$ 27,160,951
Between one and five years	-	2,678,950	2,678,950
More than five years	-	10,117,610	10,117,610
Total	<u>\$ 24,851,149</u>	<u>\$ 15,106,362</u>	<u>\$ 39,957,511</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 6 – Pledges Receivable (continued)

UJF's pledges outstanding represent pledges in connection with the Centennial Campaign and various communal capital and endowment campaigns, and consist of the following at May 31:

	<u>2016</u>	<u>2015</u>
Centennial Campaign	\$ 10,780,000	\$ 14,690,000
Millennium - Jewish Life Fund	1,075,000	1,175,000
Akiva Hebrew Day School	933,192	50,000
Millennium - Jewish Community Center	551,566	759,638
Harris Nature Center	425,000	425,000
Jewish Women's Foundation	401,606	478,860
Henrietta & Alvin Weisberg Holocaust Memorial Center	203,201	603,581
Jean and Samuel Frankel Jewish Academy of Metropolitan Detroit	163,000	163,000
BBYO Student Conference Center	137,650	142,650
Jewish Community Center	120,950	20,950
Legacy Fund	118,160	118,715
JVS	100,000	160,000
Jewish Senior Life	30,837	35,837
Robinson Pioneer Village - Fresh Air Society	29,000	32,000
Alan & Sue Kaufman Family Sports Program	25,000	25,000
Alliance for Jewish Education	9,000	-
Berman Center for the Performing Arts	2,600	113,007
University of Michigan Hillel	600	4,600
Becker YAD All Star Mission	-	20,000
	<u> </u>	<u> </u>
Total Pledges Receivable	<u>\$ 15,106,362</u>	<u>\$ 19,017,838</u>

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NOTE 7 – Notes Receivable

Notes receivable consist of the following at May 31:

	2016	2015
UJF:		
Note receivable from a related party bearing interest at 3.03% annually, due in annual principal and interest installments of \$2,248,811 through December 2016	\$ -	\$ 1,790,962
Gifted promissory note in the form of a mortgage receivable. The receivable is held in a Restricted Fund, and bears interest at 7.10%, with interest payments of \$47,333 due monthly. The principal is due the earlier of September 2033 or six months following the death of the donor. (The Restricted Fund holds an offsetting payable in the same amount, payable to an unaffiliated Jewish organization.)	8,000,000	8,000,000
Land contract receivable bearing interest at 7.00% annually, due in monthly principal and interest installments of \$10,000 through November 2019	370,935	461,500
Other notes receivable	490,618	521,583
Gross notes receivable	8,861,553	10,774,045
Allowance for uncollectible amounts	(346,370)	(346,370)
Notes receivable, net - UJF	8,515,183	10,427,675
JFMD - Other notes receivable	17,669	34,055
Notes receivable, net - Combined	\$ 8,532,852	\$ 10,461,730

NOTE 8 – Property and Equipment – JFMD and UJF

Property and equipment consist of the following at May 31:

	2016	2015
Land	\$ 7,375,208	\$ 7,375,208
Buildings	122,268,637	119,617,022
Furniture and equipment	4,267,207	4,306,886
Construction in progress	4,042,823	1,864,124
Total	137,953,875	133,163,240
Accumulated depreciation	(74,328,357)	(70,259,619)
Net Property and Equipment	\$ 63,625,518	\$ 62,903,621

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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 8 – Property and Equipment – JFMD and UJF (continued)

The majority of land and buildings represent communal properties and consist of the following at May 31, 2016:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
United Jewish Foundation			
Max M. Fisher Federation Building	\$ 900,000	7,512,913	\$ 8,412,913
Fresh Air Society – Camp Tamarack			
Ortonville	425,215	8,730,255	9,155,470
Grange Hall Road	247,207	-	247,207
Mesick	5,185	2,777	7,962
Mio	5,000	2,835	7,835
Kennedy	129,782	49,868	179,650
Wawa	6,750	11,942	18,692
Jewish Community Center			-
Applebaum Campus site	2,412,155	52,841,796	55,253,951
Taubman Campus site	46,378	6,410,507	6,456,885
Jewish Family Service	1,537,176	6,944,131	8,481,307
Jean and Samuel Frankel Jewish Academy of Metropolitan Detroit		7,805,628	7,805,628
Akiva Hebrew Day School	291,482	4,248,320	4,539,802
B'nai B'rith Youth Organization	-	1,120,071	1,120,071
Jewish Senior Life			
Fleischman Residence	-	5,603,489	5,603,489
Epicenter	-	1,298,200	1,298,200
Brown Adult Day Care Center	-	1,476,812	1,476,812
Brown Memory Care Pavilion	-	1,298,297	1,298,297
JVS - Workshop – Woodward and Canfield	245,916	1,392,106	1,638,022
Yeshivas Darchei Torah	40,147	6,467,073	6,507,220
University of Michigan Hillel	-	3,311,702	3,311,702
Michigan State University Hillel	65,555	2,216,438	2,281,993
Yeshiva Beth Yehudah	121,500	2,155,939	2,277,439
Yeshiva Beth Yehudah Preschool	165,000	1,367,538	1,532,538
6866 W. Maple, West Bloomfield	175,760	-	175,760
14450 Ten Mile Road, Oak Park	555,000	-	555,000
	<u>7,375,208</u>	<u>122,268,637</u>	<u>129,643,845</u>
Accumulated depreciation	-	(70,491,321)	(70,491,321)
Total Land and Buildings	<u>\$ 7,375,208</u>	<u>\$ 51,777,316</u>	<u>\$ 59,152,524</u>

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NOTE 9 – Financing Arrangements

At May 31, 2016 and 2015, UJF has an unsecured note payable outstanding of \$175,000 and \$200,000, respectively, related to the purchase of land at 14450 Ten Mile Road, Oak Park. The note is noninterest-bearing with annual payments of \$25,000. The loan matures in February 2023.

At May 31, 2016, UJF has an unsecured note payable outstanding of \$400,000 related to an outstanding receivable made to an unaffiliated agency, on behalf of an anonymous lender. The note bears interest at a fixed rate of 7.0% per annum, with monthly payments of \$5,000 ending on November 15, 2016. A lump-sum payment of the remaining balance is due no later than November 28, 2016. If the principal amount, plus interest is repaid in full on or before November 28, 2016, then UJF, on behalf of the anonymous donor, will donate an amount equal to the interest portion of the repayment to the unaffiliated agency.

At May 31, 2016 and 2015, UJF also has bonds payable outstanding of \$1,203,422 and \$1,342,909, respectively, which consist of Bank of America Public Capital Corp limited obligation revenue notes, bearing interest at a fixed rate of 4.45% per annum. The bonds are callable at any time and mature July 1, 2023. The proceeds from the bond issuance were used to finance an HVAC system at the Jewish Community Center.

Anticipated five-year maturities of bonds and notes payable are as follows:

May 31, 2017	\$	563,974
May 31, 2018		176,882
May 31, 2019		183,780
May 31, 2020		191,013
May 31, 2021		198,532
Thereafter		464,241
Total Bonds and Notes Payable	\$	<u>1,778,422</u>

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NOTE 10 – Retirement Plans

The JFMD maintains the Jewish Federation of Metropolitan Detroit Pension Plan (the "Plan") which covers substantially all of the employees of the organization and certain constituent agencies. As of December 31, 2014, the JFMD Pension Plan was frozen. The Plan is not required to file Form 5500 and does not have a separate Employer Identification Number.

Contributions to the Plan were \$203,700 and \$141,400 for the years ended May 31, 2016 and 2015, respectively. Based on information as of December 31, 2015, the year end of the Plan, the organization's contributions to the Plan represent more than 5 percent of total contributions received by the Plan. The amount of the organization's contributions to the Plan increased by approximately 44 percent from 2015 to 2016, primarily as a result of lower than expected investment returns, as well as a reduction of the expected portfolio investment return from 7.2% to 6.7%.

In addition, to the extent that the Plan is underfunded, and in the event that other organizations participating in the Plan have no assets available to pay their contributions, then the organization's future contributions to the Plan may increase to cover retirement benefits of employees of other organizations participating in the Plan. The following information is based on the financial statements of the Plan as of December 31, 2015.

Total plan assets	\$ 19,622,427
Actuarial present value of accumulated plan benefits	24,227,787
Total contributions received by the Plan	668,394
Indicated level of funding	At least 80%

The organization previously participated in a separate pension plan for union employees. Effective January 1, 2011, the union plan was merged into the plan described above.

Effective January 1, 2015, JFMD restated its 403(b) retirement plan to replace the Pension Plan. The Federation elected, for calendar year 2016, to offer a matching safe harbor contribution equal to 100% of the employee's 403(b) plan contributions up to 3% of pay and 50% of the employee's contributions above 3% up to 5% of pay.

NOTE 11 – Transactions with Affiliates

The Federation and The Jewish Fund have entered into a management agreement whereby the Federation provides administrative support to the Fund for an agreed-upon fee. Such fees were \$250,000 for the years ended May 31, 2016 and 2015.

Grants received from The Jewish Fund by the Federation were \$901,061 and \$633,500 and indirect grant expenses paid to other affiliated entities were \$33,458,772 and \$29,331,586 for the years ended May 31, 2016 and 2015, respectively.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 11 – Transactions with Affiliates (continued)

Amounts owed to affiliated agencies at May 31 are summarized below:

	2016	2015
Appropriations payable	\$ 19,506,560	\$ 16,249,885
Constituent agency deposits	22,011,283	22,079,335
Total	<u>\$ 41,517,843</u>	<u>\$ 38,329,220</u>

NOTE 12 – Endowment Funds

UJF's endowment consists of 1,099 individual donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The organizations have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent donor stipulations to the contrary. As a result of this interpretation, the organizations classify as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organizations in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organizations and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organizations
7. The investment policies of the organizations

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NOTE 12 – Endowment Funds (continued)

Endowment net asset composition as of May 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ (19,873,777)	\$ 19,002,158	\$ 184,117,527	\$ 183,245,908
Board Designated	11,745,060			11,745,060
Split-interest agreements	180,988			180,988
	<u>\$ (7,947,729)</u>	<u>\$ 19,002,158</u>	<u>\$ 184,117,527</u>	<u>\$ 195,171,956</u>

Endowment net asset composition as of May 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ (9,307,990)	\$ 25,671,420	\$ 176,504,912	\$ 192,868,342
Board Designated	3,178,512	-	-	3,178,512
Split-interest agreements	293,974	-	-	293,974
	<u>\$ (5,835,504)</u>	<u>\$ 25,671,420</u>	<u>\$ 176,504,912</u>	<u>\$ 196,340,828</u>

Changes in endowment net assets for the year ended May 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (5,835,504)	\$ 25,671,420	\$ 176,504,912	\$ 196,340,828
Loss from investments	(91,206)	(8,228,753)	-	(8,319,959)
Contributions		(175,379)	1,709,986	1,534,607
Appropriation of endowment assets for expenditures	(120,071)	(8,807,861)	(4,026)	(8,931,958)
Other income	(112,987)	(116,733)	(410,988)	(640,708)
Reclassification of net assets				-
Transfers of net assets	8,777,826	93,677	6,317,643	15,189,146
Reclassification of income	(10,565,787)	10,565,787		-
Endowment net assets, end of year	<u>\$ (7,947,729)</u>	<u>\$ 19,002,158</u>	<u>\$ 184,117,527</u>	<u>\$ 195,171,956</u>

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May 31, 2016 and 2015

NOTE 12 – Endowment Funds (continued)

Changes in endowment net assets for the year ended May 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (5,742,042)	\$ 27,057,930	\$ 164,689,229	\$ 186,005,117
Income from investments	61,000	7,304,989	-	7,365,989
Contributions	1,978	328,107	11,940,349	12,270,434
Appropriation of endowment assets for expenditures	(61,519)	(9,336,228)	-	(9,397,747)
Other income	(16,610)	(473,800)	(621,300)	(1,111,710)
Reclassification of net assets		-	-	-
Transfers of net assets	1,156,380	(444,269)	496,634	1,208,745
Reclassification of income	(1,234,691)	1,234,691	-	-
Endowment net assets, end of year	<u>\$ (5,835,504)</u>	<u>\$ 25,671,420</u>	<u>\$ 176,504,912</u>	<u>\$ 196,340,828</u>

In the table above, the temporarily restricted other income, reclassification of net assets, and transfer of net assets were decreased by a total of \$2,692,714 to properly reflect the reclassification performed in the prior year.

Funds with Deficiencies - From time to time, the fair value associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA require the organizations to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$19,873,777 and \$9,307,990 as of May 31, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of endowment funds to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters - The organizations have adopted investment and pending policies for endowment assets that attempt to provide a predictable stream of funding to the organizations' programs and are supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed 5% annually while assuming a moderate level of investment risk.

**JEWISH FEDERATION OF METROPOLITAN DETROIT
AND UNITED JEWISH FOUNDATION**

NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 12 – Endowment Funds (continued)

Strategies Employed for Achieving Objectives - To satisfy their long-term rate-of-return objectives, the organizations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividend). The organizations target a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The organizations have a policy of generally appropriating for distribution each year 5.25% of the endowment base. The endowment base is defined as the three-year moving average of the market value of the total endowment portfolio (calculated as of the last day of each of the previous 12 quarters). In establishing this policy, the organizations considered the long-term expected return on their endowment. Accordingly, over the long term, the organizations expect the current spending policy to allow their endowment to grow at an average of approximately 2% annually. This is consistent with the organizations' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 13 – Restricted Net Assets

UJF's temporarily restricted net assets consist of the following at May 31:

	Temporarily Restricted	
	2016	2015
Unappropriated Endowment Earnings:		
Perpetual Annual Campaign		
Endowment (PACE) funds	\$ 314,681	\$ 1,067,950
Special-purpose funds	4,024,766	4,549,487
Constituent agency funds	14,662,711	20,053,983
Total Unappropriated Endowment Earnings	19,002,158	25,671,420
Other Time and/or Purpose Restrictions:		
Perpetual Annual Campaign		
Endowment (PACE) funds	-	537,757
Special-purpose funds	7,550,091	7,904,224
Constituent agency funds	25,670,297	18,270,972
Total Other Time and/or Purpose Restrictions	33,220,388	26,712,953
Total Temporarily Restricted Net Assets	\$ 52,222,546	\$ 52,384,373

**JEWISH FEDERATION OF METROPOLITAN DETROIT
AND UNITED JEWISH FOUNDATION**

NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 13 – Restricted Net Assets (Continued)

UJF's permanently restricted net assets consist of the following at May 31:

	<u>Permanently Restricted</u>	
	<u>2016</u>	<u>2015</u>
Perpetual Annual Campaign Endowment (PACE) funds	\$ 67,574,700	\$ 67,022,583
Special-purpose funds	14,715,103	10,128,698
Constituent agency funds	<u>101,827,724</u>	<u>99,353,631</u>
Total Net Assets	<u>\$ 184,117,527</u>	<u>\$ 176,504,912</u>

NOTE 14 – Contingencies

During 2001, Jewish Senior Life (JSL) (formerly Jewish Apartments and Services), a constituent agency supported by the organizations, issued \$18,000,000 in variable rate demand limited obligation revenue bonds. A local lender issued a letter of credit guaranteeing payment of the bonds and related interest, which are being repaid over a 25-year period. Should JSL not meet its obligation to make required principal and interest payments, the bond trustee may draw on the letter of credit. In that event, UJF has guaranteed to reimburse the lender. On July 10, 2013, UJF was granted a second priority mortgage interest in the underlying property, the Meer Jewish Apartments, to provide collateral support for its guarantee obligation. At May 31, 2016 and 2015, \$11,100,000 and \$11,900,000 of the bonds were outstanding, respectively.

Jewish Community Center (JCC), a constituent agency supported by the organization, has a bank line of credit for \$500,000. The outstanding balance was \$500,000 as of May 31, 2016 and 2015, and bears interest at LIBOR plus 1.35 percent. The bank line of credit is guaranteed by UJF.

NOTE 15 – Concentrations

The organizations maintain their cash in bank deposit accounts which, at times, may exceed federally insured limits. The organizations have not experienced losses in such accounts.

**JEWISH FEDERATION OF METROPOLITAN DETROIT
AND UNITED JEWISH FOUNDATION**

NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 16 – Self-Insurance

The organizations became self-insured for medical coverage effective December 1, 2014. The claims are administered by a third-party administrator. Initial losses of up to \$120,000 per person are the responsibility of the organizations, with an aggregate annual maximum of approximately \$1,300,000. Total claims expense for the years ended May 31, 2016 and 2015 were approximately \$680,000 and \$510,000, respectively. Liabilities for estimated claims incurred but not reported totaling approximately \$263,000 and \$205,000 as of May 31, 2016 and 2015 have been recorded.

SUPPLEMENTAL INFORMATION

Independent Auditor's Report on Supplemental Information

To the Board of Governors of the
Jewish Federation of Metropolitan Detroit and the
Board of Directors of the United Jewish Foundation

We have audited the combined financial statements of the Jewish Federation of Metropolitan Detroit and the United Jewish Foundation as of and for the year ended May 31, 2016 and have issued our report thereon dated October 13, 2016, which contained an unmodified opinion on those combined financial statements.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying combining statements of financial position and combining statements of activities and changes in net assets are presented for the purpose of additional analysis of the combined financial statements rather than to present the financial position and results of operations of the individual entities 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 audit 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, this information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Plante & Moran, PLLC

October 13, 2016

JEWISH FEDERATION OF METROPOLITAN DETROIT

COMBINING STATEMENT OF FINANCIAL POSITION
May 31, 2016

ASSETS								
	Operating Fund	Federation Annual Campaign	JFMD Programming	Oversees Programming	Missions Fund	Jewish Life Fund	Alliance for Jewish Education	Total
ASSETS								
Cash and cash equivalents	\$ 600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600
Investments	900,726	14,073,976	1,137,176	273,264	10,690	35,389	440	16,431,661
Accounts receivable, net	146,291	-	-	-	681	-	-	146,972
Pledges receivable, net	-	20,766,695	600	-	-	-	-	20,767,295
Notes receivable, net	-	17,669	-	-	-	-	-	17,669
Interfund receivables (payables)	5,098,122	(8,353,580)	750,000	262,000	321,790	-	-	(1,921,668)
Advances and other assets	556,837	-	-	-	-	-	500	557,337
Property and equipment, net	227,242	-	-	-	-	-	-	227,242
TOTAL ASSETS	\$ 6,929,818	\$ 26,504,760	\$ 1,887,776	\$ 535,264	\$ 333,161	\$ 35,389	\$ 940	\$ 36,227,108
LIABILITIES AND NET ASSETS								
LIABILITIES								
Appropriations payable								
General	\$ -	\$ 16,573,868	\$ 292,785	\$ -	\$ -	\$ -	\$ -	\$ 16,866,653
Jewish Federations of North America and overseas	-	7,905,130	-	-	-	-	-	7,905,130
Trade accounts and other payables	2,764,537	-	-	15,752	27,000	1,773	940	2,810,002
Total Liabilities	2,764,537	24,478,998	292,785	15,752	27,000	1,773	940	27,581,785
NET ASSETS								
Unrestricted	4,165,281	2,025,762	1,594,991	519,512	306,161	33,616	-	8,645,323
TOTAL LIABILITIES AND NET ASSETS	\$ 6,929,818	\$ 26,504,760	\$ 1,887,776	\$ 535,264	\$ 333,161	\$ 35,389	\$ 940	\$ 36,227,108

JEWISH FEDERATION OF METROPOLITAN DETROIT

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended May 31, 2016

	Operating Fund	Federation Annual Campaign	JFMD Programming	Overseas Programming	Missions Fund	Jewish Life Fund	Alliance for Jewish Education	Total
OPERATING REVENUE AND SUPPORT								
Public support from contributions	\$ 356,206	\$ 35,560,317	\$ 261,977	\$ 850	\$ 152,000	\$ -	\$ 37,604	\$ 36,368,954
Revenue								
Investment income (including unrealized gains)	-	10,668	-	-	-	-	-	10,668
Interorganization appropriations	4,801,531	15,136	3,406,182	-	134,630	2,218,753	334,536	10,910,768
Miscellaneous fees and other	3,016,510	133,815	800	9,785	444,361	-	615,700	4,220,971
Total Revenue	<u>7,818,041</u>	<u>159,619</u>	<u>3,406,982</u>	<u>9,785</u>	<u>578,991</u>	<u>2,218,753</u>	<u>950,236</u>	<u>15,142,407</u>
Total Operating Revenue and Support	<u>8,174,247</u>	<u>35,719,936</u>	<u>3,668,959</u>	<u>10,635</u>	<u>730,991</u>	<u>2,218,753</u>	<u>987,840</u>	<u>51,511,361</u>
OPERATING EXPENSES								
Program Services								
Distributions								
Jewish Federations of North America and overseas	-	10,079,762	16,182	100,000	-	-	-	10,195,944
Local agencies	276,100	17,774,590	2,715,241	17,500	259,220	2,001,711	-	23,044,362
Other charitable organizations	-	956,260	55,624	-	211,790	61,094	-	1,284,768
Other	7,113,185	5,000	297,499	103,072	680,446	-	983,354	9,182,556
Total Program Services	<u>7,389,285</u>	<u>28,815,612</u>	<u>3,084,546</u>	<u>220,572</u>	<u>1,151,456</u>	<u>2,062,805</u>	<u>983,354</u>	<u>43,707,630</u>
Support Services								
Administrative	4,770,175	-	-	-	-	-	-	4,770,175
Financial resource development	1,972,104	104,657	224	122	5,442	-	5,385	2,087,934
Bad debt recovery	-	(340,627)	-	-	-	-	-	(340,627)
Other	63,249	-	-	-	-	-	-	63,249
Total Support Services	<u>6,805,528</u>	<u>(235,970)</u>	<u>224</u>	<u>122</u>	<u>5,442</u>	<u>-</u>	<u>5,385</u>	<u>6,580,731</u>
Total Operating Expenses	<u>14,194,813</u>	<u>28,579,642</u>	<u>3,084,770</u>	<u>220,694</u>	<u>1,156,898</u>	<u>2,062,805</u>	<u>988,739</u>	<u>50,288,361</u>
(Decrease) Increase in Net Assets from Operations	(6,020,566)	7,140,294	584,189	(210,059)	(425,907)	155,948	(899)	1,223,000
Transfer of funds	7,075,295	(6,300,231)	(265,249)	198,562	427,216	(153,090)	(982,503)	-
INCREASE (DECREASE) IN NET ASSETS	1,054,729	840,063	318,940	(11,497)	1,309	2,858	(983,402)	1,223,000
NET ASSETS - Beginning of Year	3,110,552	1,185,699	1,276,051	531,009	304,852	30,758	983,402	7,422,323
NET ASSETS - END OF YEAR	<u>\$ 4,165,281</u>	<u>\$ 2,025,762</u>	<u>\$ 1,594,991</u>	<u>\$ 519,512</u>	<u>\$ 306,161</u>	<u>\$ 33,616</u>	<u>\$ -</u>	<u>\$ 8,645,323</u>

UNITED JEWISH FOUNDATION

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended May 31, 2016

	General Fund	Philanthropic Funds	Support Foundations	Land, Building and Equipment	Other Unrestricted Funds	Restricted Funds	Total
OPERATING REVENUE AND SUPPORT							
Public support from contributions	\$ -	\$ 13,994,597	\$ 3,774,645	\$ 830,002	\$ 16,989,484	\$ 5,784,424	\$ 41,373,152
Revenue							
Investment income (including unrealized gains)	(2,576,993)	(4,522,278)	(1,562,337)	-	(315,168)	(8,795,728)	(17,772,504)
Loss on disposition of assets	-	-	-	(51,405)	-	-	(51,405)
Interorganization appropriations	1,300,000	-	-	86,100	1,300,000	479,439	3,165,539
Miscellaneous fees and other	4,173,290	41,398	(580,930)	526,145	182,641	(1,212,238)	3,130,306
Total Revenue	<u>2,896,297</u>	<u>(4,480,880)</u>	<u>(2,143,267)</u>	<u>560,840</u>	<u>1,167,473</u>	<u>(9,528,527)</u>	<u>(11,528,064)</u>
Total Operating Revenue and Support	<u>2,896,297</u>	<u>9,513,717</u>	<u>1,631,378</u>	<u>1,390,842</u>	<u>18,156,957</u>	<u>(3,744,103)</u>	<u>29,845,088</u>
OPERATING EXPENSES							
Program Services							
Distributions							
Federation's annual campaign	-	3,030,987	1,965,104	-	2,000	4,309,723	9,307,814
Jewish Federations of North America and overseas	-	-	173,000	-	-	-	173,000
Local agencies	6,204,875	4,326,760	2,946,857	-	3,286,306	7,725,920	24,490,718
Other charitable organizations	-	13,172,085	6,270,806	-	-	545,643	19,988,534
Other	308,525	-	175,674	4,506,498	983,885	55,916	6,030,498
Total Program Services	<u>6,513,400</u>	<u>20,529,832</u>	<u>11,531,441</u>	<u>4,506,498</u>	<u>4,272,191</u>	<u>12,637,202</u>	<u>59,990,564</u>
Support Services							
Administrative	289,537	12,306	65,483	50,222	21,080	10,642	449,270
Bad debt recovery	(3,150)	-	-	-	-	(108,749)	(111,899)
Other	-	-	-	17,310	-	-	17,310
Total Support Services	<u>286,387</u>	<u>12,306</u>	<u>65,483</u>	<u>67,532</u>	<u>21,080</u>	<u>(98,107)</u>	<u>354,681</u>
Total Operating Expenses	<u>6,799,787</u>	<u>20,542,138</u>	<u>11,596,924</u>	<u>4,574,030</u>	<u>4,293,271</u>	<u>12,539,095</u>	<u>60,345,245</u>
(Decrease) Increase in Net Assets from Operations	<u>(3,903,490)</u>	<u>(11,028,421)</u>	<u>(9,965,546)</u>	<u>(3,183,188)</u>	<u>13,863,686</u>	<u>(16,283,198)</u>	<u>(30,500,157)</u>
Transfer of funds	<u>1,164,826</u>	<u>(10,500,564)</u>	<u>(403,165)</u>	<u>1,991,842</u>	<u>(13,958,218)</u>	<u>21,705,279</u>	<u>-</u>
(DECREASE) INCREASE IN NET ASSETS	<u>(2,738,664)</u>	<u>(21,528,985)</u>	<u>(10,368,711)</u>	<u>(1,191,346)</u>	<u>(94,532)</u>	<u>5,422,081</u>	<u>(30,500,157)</u>
NET ASSETS - Beginning of Year	<u>15,227,392</u>	<u>89,305,868</u>	<u>85,935,446</u>	<u>59,103,042</u>	<u>6,242,329</u>	<u>218,334,448</u>	<u>474,148,525</u>
NET ASSETS - END OF YEAR	<u>\$ 12,488,728</u>	<u>\$ 67,776,883</u>	<u>\$ 75,566,735</u>	<u>\$ 57,911,696</u>	<u>\$ 6,147,797</u>	<u>\$ 223,756,529</u>	<u>\$ 443,648,368</u>