

Jewish United Fund of Metropolitan Chicago

Financial Report
December 31, 2015

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Independent Auditor's Report

To the Board of Directors
Jewish United Fund of Metropolitan Chicago

Report on the Financial Statements

We have audited the accompanying financial statements of Jewish United Fund of Metropolitan Chicago (Jewish United Fund), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, operating expenses and cash flows for the year then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Jewish United Fund's preparation and fair presentation of the 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 Jewish United Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The guidance on reporting of related entities by not-for-profit organizations requires not-for-profit organizations with a controlling financial interest in another not-for-profit organization to consolidate that other organization. Jewish United Fund meets the definition of having a "controlling financial interest" in the Jewish Federation of Metropolitan Chicago (Jewish Federation) by having a common board of directors and officers and through its financial support of the Jewish Federation. Accordingly, accounting principles generally accepted in the United States of America require that Jewish United Fund consolidate the Jewish Federation. As of June 30, 2015, the Jewish Federation had total assets of \$1,711,531,126, net assets of \$1,362,190,252 and for the year ended June 30, 2015, a decrease in net assets of \$547,526. Summarized financial information of the Jewish Federation as of and for the year ended June 30, 2015, is presented in Note 1 to the financial statements.

Management of the organizations believes that it is not practicable to consolidate the Jewish Federation because the Jewish Federation is required by certain funding sources to maintain a June 30 fiscal year-end and Jewish United Fund is required to retain its December 31 year-end to coincide with its personal contributors' tax year-ends. Accordingly, compliance with the guidance on reporting of related entities by not-for-profit organizations would require the Jewish Federation to undergo two separate audits each year, which would cause a financial and administrative burden on the organizations, thereby negatively impacting their ability to fulfill their charitable mission.

Qualified Opinion

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish United Fund of Metropolitan Chicago as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Jewish United Fund of Metropolitan Chicago's 2014 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated June 25, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
June 21, 2016

Jewish United Fund of Metropolitan Chicago

**Statement of Financial Position
December 31, 2015 (With Comparative Totals for 2014)**

| | Unrestricted | | Temporarily Restricted | Permanently Restricted | Total | |
|---|----------------------|----------------------|---------------------------|---------------------------|-----------------------|-----------------------|
| | Undesignated | Board Designated | | | 2015 | 2014 |
| Assets | | | | | | |
| Cash | \$ 902,185 | \$ 2,364,022 | \$ 2,539,236 | \$ - | \$ 5,805,443 | \$ 9,868,384 |
| Investment in JFMC Pooled Endowment Portfolio, LLC | - | 55,413,603 | 2,717,947 | 11,080,802 | 69,212,352 | 71,900,615 |
| Pledges receivable (net of allowance for uncollectible pledges) | 11,873,165 | - | 38,118,309 | - | 49,991,474 | 50,186,479 |
| Interfund accounts | 19,643,888 | (20,205,129) | (400,000) | 961,241 | - | - |
| Due from JFMC Facilities Corporation | 159,487 | - | - | - | 159,487 | - |
| Amount due from participating employers for pension benefits | 27,905,725 | - | - | - | 27,905,725 | 25,855,744 |
| Other investments | 5,660,949 | - | - | 37,500 | 5,698,449 | 5,878,230 |
| Prepaid expenses, deposits and other receivables | 3,770,106 | - | - | - | 3,770,106 | 7,854,602 |
| Property and equipment (at cost, net of accumulated depreciation and amortization) | 7,709,169 | 2,226,553 | - | - | 9,935,722 | 10,698,742 |
| | <u>\$ 77,624,674</u> | <u>\$ 39,799,049</u> | <u>\$ 42,975,492</u> | <u>\$ 12,079,543</u> | <u>\$ 172,478,758</u> | <u>\$ 182,242,796</u> |

See notes to financial statements.

Jewish United Fund of Metropolitan Chicago

**Statement of Financial Position (Continued)
December 31, 2015 (With Comparative Totals for 2014)**

| | Unrestricted | | Temporarily Restricted | Permanently Restricted | Total | |
|---|----------------------|----------------------|---------------------------|---------------------------|-----------------------|-----------------------|
| | Undesignated | Board Designated | | | 2015 | 2014 |
| Liabilities and Net Assets (Deficit) | | | | | | |
| Liabilities: | | | | | | |
| Allocations payable to beneficiaries | \$ 41,496,740 | \$ - | \$ - | \$ - | \$ 41,496,740 | \$ 39,854,886 |
| Accounts payable and accrued expenses | 2,427,235 | - | - | - | 2,427,235 | 2,344,796 |
| Deferred income | 1,367,625 | - | - | - | 1,367,625 | 1,837,456 |
| Liability for pension benefits | 47,249,465 | - | - | - | 47,249,465 | 42,231,363 |
| Due to JFMC Facilities Corporation | - | - | - | - | - | 385,123 |
| Due to Jewish Federation of Metropolitan Chicago | 3,198,158 | - | - | - | 3,198,158 | 4,773,373 |
| | <u>95,739,223</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>95,739,223</u> | <u>91,426,997</u> |
| Net assets (deficit): | | | | | | |
| Unrestricted: | | | | | | |
| Undesignated | (18,114,549) | - | - | - | (18,114,549) | (14,030,597) |
| Designated for the following purposes: | | | | | | |
| Campaign endowment | - | 55,351,963 | - | - | 55,351,963 | 59,618,450 |
| Israel Partnership 2000 | - | 70,836 | - | - | 70,836 | 321,418 |
| Birthright Program | - | 182,442 | - | - | 182,442 | 198,695 |
| Retirement benefits | - | (18,153,099) | - | - | (18,153,099) | (15,165,272) |
| Other | - | 2,346,907 | - | - | 2,346,907 | 2,388,750 |
| Temporarily restricted: | | | | | | |
| Future years' campaigns | - | - | 40,138,549 | - | 40,138,549 | 41,354,377 |
| Learning center in Israel | - | - | 2,836,943 | - | 2,836,943 | 3,488,000 |
| Time restricted | - | - | - | - | - | 562,435 |
| Permanently restricted: | | | | | | |
| Campaign endowment | - | - | - | 12,079,543 | 12,079,543 | 12,079,543 |
| | <u>(18,114,549)</u> | <u>39,799,049</u> | <u>42,975,492</u> | <u>12,079,543</u> | <u>76,739,535</u> | <u>90,815,799</u> |
| | <u>\$ 77,624,674</u> | <u>\$ 39,799,049</u> | <u>\$ 42,975,492</u> | <u>\$ 12,079,543</u> | <u>\$ 172,478,758</u> | <u>\$ 182,242,796</u> |

See notes to financial statements.

Jewish United Fund of Metropolitan Chicago

Statement of Activities

Year Ended December 31, 2015 (With Comparative Totals for 2014)

| | Unrestricted | | Temporarily Restricted | Permanently Restricted | Total | |
|--|---------------|----------------------|---------------------------|---------------------------|---------------|---------------|
| | Undesignated | Board- Designated | | | 2015 | 2014 |
| Revenue: | | | | | | |
| Contributions: | | | | | | |
| Current-year campaigns: | | | | | | |
| Pledges received in current year | \$ 41,815,247 | \$ - | \$ - | \$ - | \$ 41,815,247 | \$ 50,366,862 |
| Transfer of current-year campaign pledges received and recorded in prior year (below) | 41,354,377 | - | - | - | 41,354,377 | 41,424,401 |
| Total current-year campaign pledges received | 83,169,624 | - | - | - | 83,169,624 | 91,791,263 |
| Less allowance for uncollectible pledges | (3,158,663) | - | - | - | (3,158,663) | (3,410,516) |
| | 80,010,961 | - | - | - | 80,010,961 | 88,380,747 |
| Adjustments to current year campaigns: | | | | | | |
| Collections on campaigns previously closed | 164,408 | - | - | - | 164,408 | 536,204 |
| Adjustments on closing of prior years' campaigns | 1,421,037 | - | - | - | 1,421,037 | 2,125,286 |
| Total current year campaign | 81,596,406 | - | - | - | 81,596,406 | 91,042,237 |
| Pledges received in current year for future years' campaigns | - | - | 40,138,549 | - | 40,138,549 | 41,354,377 |
| Transfer of current-year campaign pledges received and recorded in prior year (above) | - | - | (41,354,377) | - | (41,354,377) | (41,424,401) |
| | - | - | (1,215,828) | - | (1,215,828) | (70,024) |
| | 81,596,406 | - | (1,215,828) | - | 80,380,578 | 90,972,213 |
| Legacies and bequests | - | 2,231,734 | 135,353 | - | 2,367,087 | 5,652,499 |
| Total support | 81,596,406 | 2,231,734 | (1,080,475) | - | 82,747,665 | 96,624,712 |
| Other revenue: | | | | | | |
| Interest and dividends | 8,143 | 424,807 | 4,930 | - | 437,880 | 1,150,690 |
| Gain (loss) on investment activity (net) | 95,341 | (2,436,560) | (141,340) | - | (2,482,559) | 2,957,156 |
| Income from trusts and foundations | 7,452,515 | 93,645 | - | - | 7,546,160 | 6,603,231 |
| Fees from campaign and administrative programs | 5,473,211 | - | - | - | 5,473,211 | 4,807,409 |
| Fees from departmental services | 2,747,652 | - | - | - | 2,747,652 | 2,564,119 |
| JUF News revenue | 742,230 | - | - | - | 742,230 | 775,891 |
| Unexpended prior-year allocations | 651,888 | - | - | - | 651,888 | 590,781 |
| Total other revenue | 17,170,980 | (1,918,108) | (136,410) | - | 15,116,462 | 19,449,277 |
| Transfers of net assets: | | | | | | |
| Release of temporarily restricted net assets - satisfaction of restrictions | 1,212,435 | - | (1,212,435) | - | - | - |
| Transfer from board-designated assets | 2,803,979 | (2,803,979) | - | - | - | - |
| | 4,016,414 | (2,803,979) | (1,212,435) | - | - | - |
| Total revenue | 102,783,800 | (2,490,353) | (2,429,320) | - | 97,864,127 | 116,073,989 |

See notes to financial statements.

Jewish United Fund of Metropolitan Chicago

Statement of Activities (Continued)

Year Ended December 31, 2015 (With Comparative Totals for 2014)

| | Unrestricted | | Temporarily Restricted | Permanently Restricted | Total | |
|---|--------------------|----------------------|---------------------------|---------------------------|---------------------|--------------------|
| | Undesignated | Board- Designated | | | 2015 | 2014 |
| Expenses: | | | | | | |
| Allocations to beneficiary organizations: | | | | | | |
| National and local - paid through Jewish Federation of Metropolitan Chicago | \$ 37,573,940 | \$ - | \$ - | \$ - | \$ 37,573,940 | \$ 37,093,002 |
| Overseas - paid through Jewish Federations of North America | 37,654,994 | - | - | - | 37,654,994 | 41,034,666 |
| Other organizations | 1,344,795 | - | - | - | 1,344,795 | 1,745,654 |
| Distribution of Campaign Endowment income to current year's campaign | - | 4,686,571 | - | - | 4,686,571 | 4,493,990 |
| Other distributions | - | 250,323 | - | - | 250,323 | 652,076 |
| Total allocations and distributions | 76,573,729 | 4,936,894 | - | - | 81,510,623 | 85,019,388 |
| Operating expenses: | | | | | | |
| Administration | 4,487,043 | - | - | - | 4,487,043 | 4,266,365 |
| Information systems and mailroom | 5,495,641 | - | - | - | 5,495,641 | 5,177,988 |
| Planning and allocations | 1,173,979 | - | - | - | 1,173,979 | 1,075,607 |
| Campaign | 12,324,094 | - | - | - | 12,324,094 | 11,297,364 |
| Communications | 2,918,508 | - | - | - | 2,918,508 | 2,637,568 |
| Jewish Community Relations Council | 655,680 | - | - | - | 655,680 | 638,608 |
| Other program services | 999,148 | 135,745 | - | - | 1,134,893 | 1,064,624 |
| Total operating expenses | 28,054,093 | 135,745 | - | - | 28,189,838 | 26,158,124 |
| Total expenses | 104,627,822 | 5,072,639 | - | - | 109,700,461 | 111,177,512 |
| Increase (decrease) in net assets before other items | (1,844,022) | (7,562,992) | (2,429,320) | - | (11,836,334) | 4,896,477 |
| Pension-related changes other than pension expense | (2,239,930) | - | - | - | (2,239,930) | (4,435,501) |
| Increase (decrease) in net assets | (4,083,952) | (7,562,992) | (2,429,320) | - | (14,076,264) | 460,976 |
| Net assets (deficit): | | | | | | |
| Beginning of year | (14,030,597) | 47,362,041 | 45,404,812 | 12,079,543 | 90,815,799 | 90,354,823 |
| End of year | \$ (18,114,549) | \$ 39,799,049 | \$ 42,975,492 | \$ 12,079,543 | \$ 76,739,535 | \$ 90,815,799 |

See notes to financial statements.

Jewish United Fund of Metropolitan Chicago

Statement of Operating Expenses

Year Ended December 31, 2015 (With Comparative Totals for 2014)

| | Undesignated | | | | | | | | Designated | | Total | |
|--|---------------------|----------------------|---------------------|----------------------|---------------------|-----------------------------|-------------------|----------------------|-------------------|----------------------|----------------------|--|
| | Administration | Information | Planning | Campaign | Communications | Jewish | Other | Total | Other | 2015 | 2014 | |
| | | Systems and Mailroom | and Allocations | | | Community Relations Council | Program Services | | Program Services | | | |
| Operating expenses: | | | | | | | | | | | | |
| Salaries | \$ 2,059,492 | \$ 2,618,200 | \$ 312,278 | \$ 3,628,096 | \$ 1,642,590 | \$ 391,307 | \$ 81,444 | \$ 10,733,407 | \$ - | \$ 10,733,407 | \$ 9,847,012 | |
| Net periodic pension expense | 821,129 | 419,983 | 132,940 | 578,076 | 292,468 | 61,323 | 12,576 | 2,318,495 | - | 2,318,495 | 1,683,457 | |
| Payroll taxes and employee benefits | 173,363 | 229,043 | 24,282 | 299,417 | 128,819 | 34,626 | 5,304 | 894,854 | - | 894,854 | 1,169,995 | |
| | <u>3,053,984</u> | <u>3,267,226</u> | <u>469,500</u> | <u>4,505,589</u> | <u>2,063,877</u> | <u>487,256</u> | <u>99,324</u> | <u>13,946,756</u> | <u>-</u> | <u>13,946,756</u> | <u>12,700,464</u> | |
| Professional fee and service payments | 211,348 | 227,599 | 536,772 | 152,386 | 194,037 | 2,973 | 71,938 | 1,397,053 | 42,531 | 1,439,584 | 1,269,160 | |
| Temporary help | 2,387 | - | 64 | 50,651 | - | - | - | 53,102 | - | 53,102 | 32,942 | |
| Postage and shipping | 4,602 | 187,185 | 266 | 192,113 | 111,428 | 608 | 20 | 496,222 | - | 496,222 | 550,282 | |
| Outside printing | 4,614 | 4,143 | 157 | 281,175 | 226,568 | 6,057 | 431 | 523,145 | - | 523,145 | 555,388 | |
| Telephone | 36,988 | 96,768 | 8,374 | 147,221 | 27,365 | 10,523 | 979 | 328,218 | - | 328,218 | 324,693 | |
| Office supplies and other related expenses | 7,523 | 15,355 | 2,614 | 39,740 | 5,009 | 1,101 | - | 71,342 | 3,948 | 75,290 | 77,007 | |
| Information technology | 67,883 | 346,363 | 4,709 | 444,110 | 41,785 | 13,726 | - | 918,576 | - | 918,576 | 1,059,389 | |
| Occupancy | 240,310 | 583,625 | 37,105 | 423,221 | 157,586 | 34,747 | - | 1,476,594 | 45,246 | 1,521,840 | 1,425,824 | |
| Transportation and travel | 27,194 | 9,880 | 28,972 | 93,236 | 13,301 | 26,375 | 9,395 | 208,353 | 8,692 | 217,045 | 189,259 | |
| Conferences, conventions and meetings | 108,130 | 23,765 | 29,913 | 44,711 | 5,801 | 22,449 | 9,845 | 244,614 | - | 244,614 | 283,683 | |
| Insurance | 117,006 | - | - | - | - | - | - | 117,006 | 6,949 | 123,955 | 128,613 | |
| Advertising | - | - | 791 | 98,881 | 7,694 | - | - | 107,366 | - | 107,366 | 134,060 | |
| Missions | - | - | 1,425 | 2,500,999 | - | 204 | 97,515 | 2,600,143 | - | 2,600,143 | 1,698,674 | |
| Events | 12,096 | 281 | 2,685 | 2,597,871 | 866 | 11,870 | 30,203 | 2,655,872 | - | 2,655,872 | 2,913,412 | |
| Photography | 107 | - | - | 7,928 | 26,297 | 1,485 | - | 35,817 | - | 35,817 | 34,230 | |
| Interest expense | 268,515 | - | - | - | - | - | 73,846 | 342,361 | - | 342,361 | 349,774 | |
| Credit card fees | - | - | - | - | - | - | 581,219 | 581,219 | - | 581,219 | 622,019 | |
| Miscellaneous | 56,106 | 41,216 | 23,561 | 115,773 | 8,019 | 36,306 | 24,433 | 305,414 | 7,153 | 312,567 | 218,981 | |
| | <u>4,218,793</u> | <u>4,803,406</u> | <u>1,146,908</u> | <u>11,695,605</u> | <u>2,889,633</u> | <u>655,680</u> | <u>999,148</u> | <u>26,409,173</u> | <u>114,519</u> | <u>26,523,692</u> | <u>24,567,854</u> | |
| Depreciation and amortization | 268,250 | 692,235 | 27,071 | 628,489 | 28,875 | - | - | 1,644,920 | 21,226 | 1,666,146 | 1,590,270 | |
| | <u>\$ 4,487,043</u> | <u>\$ 5,495,641</u> | <u>\$ 1,173,979</u> | <u>\$ 12,324,094</u> | <u>\$ 2,918,508</u> | <u>\$ 655,680</u> | <u>\$ 999,148</u> | <u>\$ 28,054,093</u> | <u>\$ 135,745</u> | <u>\$ 28,189,838</u> | <u>\$ 26,158,124</u> | |

See notes to financial statements.

Jewish United Fund of Metropolitan Chicago

Statement of Cash Flows

Year Ended December 31, 2015 (With Comparative Totals for 2014)

| | 2015 | 2014 |
|--|--------------------|--------------------|
| Cash flows from operating activities: | | |
| (Decrease) increase in net assets | \$ (14,076,264) | \$ 460,976 |
| Depreciation and amortization | 1,666,146 | 1,590,270 |
| Gain (loss) on investment transactions | 2,577,901 | (2,866,598) |
| Increase in amount due from participating employers for pension benefits due to actuarial gains/losses and change in assumptions | (1,348,829) | (8,987,234) |
| Increase in pension liability due to actuarial gains/losses and change in assumptions | 3,588,759 | 13,422,735 |
| Changes in: | | |
| Pledges receivable | 195,005 | (70,792) |
| Due to/from JFMC Facilities Corporation | (544,610) | 448,971 |
| Prepaid expenses, deposits and other receivables | 4,084,496 | (4,663,884) |
| Amount due from participating employers for pension benefits | (701,152) | (100,337) |
| Allocations payable to beneficiaries | 1,641,854 | (1,823,373) |
| Accounts payable and accrued expenses | 82,439 | (80,653) |
| Deferred income | (469,831) | 473,951 |
| Liability for pension benefits | 1,429,343 | 628,129 |
| Net cash used in operating activities | (1,874,743) | (1,567,839) |
| Cash flows from investing activities: | | |
| Proceeds from sale of securities | 4,982,248 | 4,807,304 |
| Purchases of securities | (4,871,886) | (4,143,010) |
| Capital expenditures | (903,126) | (724,390) |
| Decrease (increase) in other investments | 179,781 | (159,790) |
| Net cash used in investing activities | (612,983) | (219,886) |
| Cash flows from financing activities: | | |
| (Decrease) increase in due to/from Jewish Federation of Metropolitan Chicago | (1,575,215) | 749,188 |
| Net cash (used in) provided by financing activities | (1,575,215) | 749,188 |
| Decrease in cash and cash equivalents | (4,062,941) | (1,038,537) |
| Cash: | | |
| Beginning of year | 9,868,384 | 10,906,921 |
| End of year | \$ 5,805,443 | \$ 9,868,384 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$ 342,361 | \$ 349,774 |

See notes to financial statements.

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Jewish United Fund of Metropolitan Chicago (Jewish United Fund) is a nonprofit social service organization that conducts fund-raising activities by means of annual calendar year campaigns, and makes domestic and overseas allocations to beneficiary organizations, primarily the Jewish Federation of Metropolitan Chicago (Jewish Federation) and the Jewish Federations of North America (JFNA). Overseas allocations are paid through JFNA, which is a U.S. nonprofit organization. Jewish United Fund provides critical resources that bring food, refuge, healthcare, education and emergency assistance to 300,000 Chicagoans of all faiths and two million Jews in Israel and Jews around the world.

Significant accounting policies followed by Jewish United Fund are as follows:

General: The financial statements have been prepared in conformity with accounting principles applicable to nonprofit organizations except for the effects of not consolidating the financial statements of the Jewish Federation.

The guidance on reporting of related entities by not-for-profit organizations requires not-for-profit organizations with a controlling financial interest in another not-for-profit organization to consolidate that other organization. Jewish United Fund meets the definition of having a "controlling financial interest" in the Jewish Federation by having a common board of directors and officers and through its financial support of the Jewish Federation (see Note 2). Accordingly, generally accepted accounting principles (GAAP) require that Jewish United Fund consolidate the Jewish Federation. Management of the organizations believe that it is not practicable to consolidate the Jewish Federation because the Jewish Federation is required by certain funding sources to maintain a June 30 fiscal year-end and Jewish United Fund is required to retain its December 31 year-end to coincide with its personal contributors' tax year-ends. Accordingly, compliance with the guidance on reporting of related entities by not-for-profit organizations would require the Jewish Federation to undergo two separate audits each year, which would cause a financial and administrative burden on the organizations, thereby negatively impacting their ability to fulfill their charitable mission. Based on the foregoing, management has determined that the cost of consolidating the Jewish Federation outweighs the benefits obtained therefrom and, accordingly, has not consolidated the Jewish Federation in the accompanying financial statements.

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Summarized audited financial information of the Jewish Federation as of and for the year ended June 30, 2015 consists of:

| | In Thousands |
|---|---------------------|
| Assets | |
| Cash and cash equivalents | \$ 7,484 |
| Investments | 1,576,090 |
| Loans and amounts due from Jewish United Fund (net) | 9,786 |
| Other loans receivable | 10,520 |
| Beneficial interest in charitable trusts | 39,625 |
| Other assets | 68,026 |
| | <u>\$ 1,711,531</u> |
| Liabilities | |
| Tax-exempt debt | \$ 8,860 |
| Loans payable | 25,085 |
| Funds held on behalf of others | 26,086 |
| Funds invested on behalf of unitholders | 219,869 |
| Other liabilities | 69,441 |
| | <u>349,341</u> |
| Net assets (deficit) | |
| Unrestricted: | |
| Noncontrolling interest in investments | 121,912 |
| Designated by the governing board for the following: | |
| Long-term investments | 892,194 |
| Donor-advised funds | 148,015 |
| Land, building and equipment | (4,591) |
| Temporarily restricted | 110,768 |
| Permanently restricted | 93,892 |
| | <u>1,362,190</u> |
| | <u>\$ 1,711,531</u> |
| Revenue | |
| Allocation from Jewish United Fund | \$ 33,989 |
| Contributions and other public support | 79,362 |
| Investment earnings and unrealized gains | 41,301 |
| Other revenue | 7,406 |
| | <u>162,058</u> |
| Expenses | |
| Appropriations and distributions and grants | 141,692 |
| Other expenses | 15,197 |
| | <u>156,889</u> |
| Increase in net assets before noncontrolling interest in investments | 5,169 |
| Noncontrolling interest in investments | <u>(5,717)</u> |
| Decrease in net assets | <u>\$ (548)</u> |

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

If the financial statements of the organizations were to be consolidated, the major items that would be eliminated on consolidation would be the annual allocation from Jewish United Fund to the Jewish Federation and the interagency loan, together with interest thereon (see Notes 2 and 6).

As described in Note 4, Jewish United Fund charges the Jewish Federation directly for its share of common expenses. Such expenses and subsequent recovery of expenses are not reflected separately on the statement of activities.

Basis of presentation: The financial statements are presented in accordance with the guidance on financial statements of not-for-profit organizations, which establishes standards for general-purpose external financial statements issued by nonprofit organizations. It requires that net assets and related revenue, expenses, gains and losses be classified into three classes of net assets - unrestricted, temporarily restricted and permanently restricted – based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed restrictions, including the carrying value of all physical properties (land, buildings and equipment). Items that affect (i.e., increase or decrease) this net asset category include pledges received, program service fees and all expenses associated with the core activities of the organization. In addition to these activities, changes in this category of net assets include certain types of board designated funds, investment income and restricted contributions whose donor-imposed restrictions were met during the fiscal period.

Temporarily restricted net assets: Net assets subject to donor-imposed restrictions that may or will be met either by actions of the organization or the passage of time. Items that affect this net asset category include pledges restricted by donors for future years' campaigns that are reflected as temporarily restricted contributions on the statement of activities. In the subsequent year, a transfer is recorded to unrestricted net assets and included as revenue of the current year's campaign when the time restriction is fulfilled. Additionally, temporarily restricted net assets include legacies and bequests received for use in future years or for specific projects that have not yet been completed.

Permanently restricted net assets: Net assets restricted by donors to be invested in perpetuity. Investment income, including realized and unrealized gains on such assets, is recorded in temporarily restricted income until appropriated for expenditure, unless specifically restricted by the donor.

Revenue recognition: Unrestricted contributions are recorded when received and consist of campaign pledges received for the current year, transfers of current-year campaign pledges received and recorded as temporarily restricted in prior years, and the final adjustments on prior years' campaigns. In addition, legacies and bequests are recorded when the amount is known and uncontested. Collections received on "closed" campaigns are included with contribution income in the year received.

Temporarily restricted contributions consist of pledges received in the current year for future years' campaigns.

Service fees collected for programs, events and missions supporting future years' campaigns are deferred until the applicable campaign year. Other program service fee revenue is recognized when the program takes place.

Unexpended prior-year allocations represent allocations approved by the Board in prior fiscal years that were not distributed. Jewish United Fund has recognized the recovery of a portion of these funds by reducing allocations payable and recognizing other income.

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Pledges receivable and allowance for uncollectible pledges: Pledges receivable are recorded for donors' unconditional promises to give to Jewish United Fund. Provision is made for estimated losses on collection of unpaid pledges at the end of each campaign year and, in subsequent years, charges are made to the "Allowance for Uncollectible Pledges" for uncollectible pledge adjustments. Any adjustment in the allowance account in a year succeeding a campaign year is charged or credited to contribution income of the adjustment year. The allowance account for a regular campaign year is closed at the end of the second year following its conclusion.

Cash concentrations: Jewish United Fund maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Jewish United Fund has not experienced any losses in such accounts. Management believes that Jewish United Fund is not exposed to any significant credit risk on its cash and cash equivalents.

Investment in PEP: Jewish United Fund has invested its assets in the JFMC Pooled Endowment Portfolio, LLC (PEP). The Jewish Federation is the manager and administrator of the PEP and is also the majority owner of the PEP. As manager, the Federation owned 85.5 percent of the PEP, as of December 31, 2015, and Jewish United Fund has a 9.6 percent interest in the Federation's portion of the PEP. The investment in the PEP is recorded at its estimated fair value based on the net asset value per share.

Investment transactions and related income: Jewish United Fund records investment transactions on a trade date basis. Realized gains and losses on investment transactions and change in unrealized gain (loss) on investments are reported as such on the statement of activities. Interest income is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

Life insurance policies received as contributions: Cash surrender value of insurance policies on the lives of individuals, where ownership of the policies has been assigned to Jewish United Fund as contributions, is reflected as an investment in the policies (see Note 7) and is included in other investments on the statement of financial position.

Property and equipment: Property and equipment is recorded at cost or, if donated, at fair value at the time of donation. Provisions for depreciation of property and equipment are computed on the straight-line method over the estimated useful lives of the assets which range from five to seven years for equipment and furniture, 3 to 12 years for software and four years for vehicles (see Note 8).

Allocations payable to beneficiaries: Amounts approved by the Board of Directors to be paid to beneficiary organizations are included in allocations payable to beneficiaries if unpaid at year-end. Adjustments are periodically made to allocations payable based on Board action.

Prepaid expenses, deposits and other receivables: Prepaid expenses, deposits and other receivables are comprised of costs related to events and missions for the 2016 regular campaign, prepaid insurance and receivables for sponsorships, event registration fees, JUF News advertisements and bequests.

Functional expenses: Operating expenses directly identified with a functional area are charged to that area and, where those expenses affect more than one area, they are allocated to the respective areas on the basis of ratios estimated by management.

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Management estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Donated services: No amounts have been reflected herein for donated services because they do not meet the defined requirements for inclusion in the financial statements.

Fair value of financial instruments: The fair value of Jewish United Fund's other assets and liabilities that qualify as financial instruments under the guidance on disclosures about fair value of financial instruments approximates the carrying amounts presented in the statement of financial position based on the short-term nature of the other assets and liabilities. The carrying amounts reflected in the statement of financial position for pledges receivable and related-party receivables and payables approximate their respective fair values, as management has estimated the fair values by discounting expected cash flows using interest rates that management believes are approximately equal to the interest rate currently available for similar financing arrangements.

Reclassifications: Certain prior-year amounts have been reclassified to conform to the current-year presentation without affecting prior-year net asset balances.

Income taxes: Jewish United Fund, an Illinois not-for-profit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

Jewish United Fund has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Jewish United Fund may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Jewish United Fund and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2015, there were no unrecognized tax benefits identified or recorded as liabilities.

Jewish United Fund files forms 990 in the U.S. federal jurisdiction and the State of Illinois. Jewish United Fund is no longer subject to examination by the Internal Revenue Service for years before 2012.

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncement: In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in this update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. For private entities, the amendments in this update are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. During the year ending December 31, 2015, Jewish United Fund adopted the amendment, allowing its investment in the PEP which is valued using the net asset value per share practical expedient, formerly assessed as Level 3, to be removed from the fair value hierarchy.

Subsequent events: Jewish United Fund has evaluated subsequent events for potential recognition and/or disclosure through June 21, 2016, the date the financial statements were available to be issued.

Note 2. Allocations

Allocations made by Jewish United Fund (Unrestricted Net Assets - Undesignated) to beneficiary organizations from the 2015 campaigns consist of:

| | Jewish Federation of Metropolitan Chicago | Overseas - Jewish Federations of North America | Other Organizations | Total |
|---|--|---|------------------------|----------------------|
| Regular campaign | \$ 35,650,684 | \$ 26,584,097 | \$ 35,000 | \$ 62,269,781 |
| Israel Emergency Campaign | - | 2,022,365 | - | 2,022,365 |
| Other grants (paid through allocations) | 1,923,256 | 9,048,532 | 1,309,795 | 12,281,583 |
| | <u>\$ 37,573,940</u> | <u>\$ 37,654,994</u> | <u>\$ 1,344,795</u> | <u>\$ 76,573,729</u> |

The regular campaign allocation to the Jewish Federation is to substantially cover its budgeted operating deficit for the fiscal year ended on June 30, 2016, as adjusted for any deficit or surplus from the prior fiscal year.

Allocations payable to beneficiaries at December 31, 2015, consist of:

| | |
|--|----------------------|
| Overseas - unpaid balance of allocation | \$ 15,402,764 |
| Jewish Federation - unpaid balance of allocation | 26,023,976 |
| Other beneficiaries | 70,000 |
| | <u>\$ 41,496,740</u> |

Note 3. Contribution Revenue and Pledges Receivable

Pledges receivable at December 31, 2015, net of allowances for uncollectible pledges, consist of:

| | |
|-------------------------------------|----------------------|
| Future years' campaigns | \$ 38,118,309 |
| Current year's campaign | 15,822,293 |
| Prior year's campaign | 2,037,604 |
| | <u>55,978,206</u> |
| Allowance for uncollectible pledges | (5,986,732) |
| | <u>\$ 49,991,474</u> |

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 4. Operating Expenses

Pursuant to an arrangement between Jewish United Fund and the Jewish Federation (which operate from common premises and, in many instances, utilize the same personnel), Jewish United Fund makes expenditures of all common expenses and charges the Jewish Federation for its share thereof. Such common expenses are allocated among the two organizations based, in part, on specific identification of certain expenses and, in part, by allocating other expenses on the basis of previously determined ratios.

For the year ended December 31, 2015, Jewish United Fund has charged the Jewish Federation for such expenses in the net amounts of \$3,455,405. The operating expenses of Jewish United Fund reflected in the statement of operating expenses are stated net of such allocated charges.

Jewish United Fund leases office space (at 30 South Wells Street, Chicago, Illinois) from the JFMC Facilities Corporation for which it pays rentals in accordance with the annual office budget. Total rentals paid to the JFMC Facilities Corporation in 2015 were \$1,455,785, which is included in the occupancy line of the statement of operating expenses.

Note 5. Fair Value Measurements and Investments in Securities

As described in Note 1, Jewish United Fund records its investments at fair value. 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the guidance on fair value measurements as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the guidance on fair value measurements are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Jewish United Fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The following section describes valuation techniques used by Jewish United Fund to measure its financial instruments at fair value and includes the level within the fair value hierarchy in which they are categorized.

Jewish United Fund's investment of \$69,212,352 represents its allocable share in the PEP and is measured at fair value using the net asset value per share (NAV) practical expedient and has not been categorized in the fair value hierarchy.

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 5. Fair Value Measurements and Investments in Securities (Continued)

The PEP invests in various types of investments including: mutual funds, money market funds, U.S. Treasury bills, equity and credit securities, alternative investments and other investment vehicles. Jewish United Fund does not own or have any interest in the underlying investments held in the PEP. Jewish United Fund has the ability to contribute funds or withdraw funds from its account on the first day of each month. Withdrawal requests are required to be submitted to the PEP in writing at least 15 days prior to the beginning of each month and withdrawals representing more than 80 percent of an investor's assets are paid within 60 days.

The PEP's investment in money market funds, U.S. Treasury bills, registered investment companies, investments in various equity and credit assets and securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. Commodities, such as precious metals, are valued based on the closing spot price, derived from the over-the-counter precious metals trading market. These financial instruments are classified as Level 1 in the fair value hierarchy.

The PEP's investments in non-registered investment companies consisting of certain equity funds, hedged credit funds, opportunistic funds and also real asset and real estate funds are stated at fair value based on the applicable percentage ownership of the underlying investment funds' net assets as of the measurement date, as determined by the PEP. In determining fair value, the PEP utilizes valuations and other information provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments substantially on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective investment fund and may not reflect amounts that ultimately may be realized. The fair value of the PEP's alternative investments generally represents the amount expected to be received if the PEP were to liquidate its alternative investments, excluding any redemption charges that may apply. Accordingly, the estimated fair values of the alternative investments may differ significantly from the values that would have been used had a ready market existed for these investments.

As of December 31, 2015, \$2,717,947 and \$11,080,802 of Jewish United Fund's investment in the PEP are temporarily and permanently restricted, respectively.

Jewish United Fund assesses the levels of the financial instruments at each measurement date and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with Jewish United Fund's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. There were no such transfers for the year ended December 31, 2015.

Jewish United Fund, through its investment in the PEP, enters into transactions with a variety of securities and derivative financial instruments. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the statement of financial position.

Market risk of investment in pooled endowment portfolio: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the overall exposure to market risk. The Jewish Federation attempts to control the PEP's exposure to market risk through various analytical monitoring techniques.

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 5. Fair Value Measurements and Investments in Securities (Continued)

Credit risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. Exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which there is a gain. Exchange-traded financial instruments generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges.

Concentration of credit risk: In the event the PEP does not fulfill its obligations, Jewish United Fund may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The PEP attempts to minimize this risk by monitoring the creditworthiness of the managers and clearing brokers.

Investments in funds: The managers of underlying investment funds in which the PEP invests may utilize derivative instruments with off-balance-sheet risk. Jewish United Fund's exposure to risk is limited to its allocable share of the PEP's investment.

As of December 31, 2015, the PEP was invested as follows:

| | Percentage of Total Pooled Fund | Approximate Hierarchy Level within the Pooled Fund |
|--------------------------------|---------------------------------------|---|
| | (Unaudited) | |
| Equity: | | |
| US large cap equity | 3% | 1 |
| US small cap equity | 8% | 1-NAV |
| Developed international equity | 10% | 1-NAV |
| Emerging markets equity | 6% | 1-NAV |
| Hedged equity | 15% | NAV |
| Private equity | 12% | NAV |
| Credit: | | |
| Core credit | 4% | 1-NAV |
| Non-core credit | 4% | 1-NAV |
| Hedged credit | 6% | NAV |
| Cash | 6% | 1 |
| U.S. Treasury bill | 1% | 1 |
| Commodities | 3% | 1 |
| Real assets | 6% | NAV |
| Real estate | 10% | NAV |
| Opportunistic | 6% | NAV |
| | <u>100%</u> | |

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 6. Due to/from Jewish Federation and JFMC Facilities Corporation

Amounts due from/to the Jewish Federation and JFMC Facilities Corporation as of December 31, 2015, consist of:

| | |
|--|---------------------|
| Amounts due from JFMC Facilities Corporation | |
| Payroll | <u>\$ 159,487</u> |
| Amounts due to (from) Jewish Federation | |
| Loan for internally developed software, bearing interest at 3.15%, principal and interest payable over a 14-year period beginning in July 2011 | \$ 3,486,701 |
| Payroll - Community Foundation for Jewish Education | (296,543) |
| Other | 8,000 |
| | <u>\$ 3,198,158</u> |

Jewish Federation maintains a \$14 million line of credit on behalf of Jewish United Fund for working capital purposes. Borrowings on the line bear interest at LIBOR plus .60 percent (3.50 percent at December 31, 2015). As of December 31, 2015, there were no outstanding borrowings on the line.

Interest expense for the year ended December 31, 2015, was \$342,361.

Approximate scheduled principal maturities of the fixed elements of the software loan is as follows:

| | |
|------------|---------------------|
| 2016 | \$ 319,911 |
| 2017 | 330,135 |
| 2018 | 340,686 |
| 2019 | 351,573 |
| 2020 | 362,809 |
| Thereafter | 1,781,587 |
| | <u>\$ 3,486,701</u> |

Note 7. Other Investments

Other investments at December 31, 2015, consist of:

| | |
|----------------------------------|---------------------|
| Investment in insurance policies | \$ 5,485,818 |
| Other investments | 212,631 |
| | <u>\$ 5,698,449</u> |

Jewish United Fund received, as contributions, assignments of the ownership (and designations as beneficiary) of insurance policies on the lives of several donors. The investment in the policies represents the cash surrender value.

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 8. Property and Equipment

Property and equipment of Jewish United Fund, stated at acquisition cost, at December 31, 2015, consists of:

| | |
|---|---------------------|
| Data processing equipment and software | \$ 16,780,757 |
| Land | 1,986,131 |
| Buildings and improvements | 722,234 |
| Office equipment and furniture | 52,580 |
| Other | 181,232 |
| | <u>19,722,934</u> |
| Accumulated depreciation and amortization | <u>(9,787,212)</u> |
| | <u>\$ 9,935,722</u> |

Provision for depreciation of equipment and amortization of software for the year ended December 31, 2015, amounted to \$1,666,146. Fully depreciated equipment (whether or not continued in use) is written off against the respective accumulated depreciation account.

Note 9. Defined Benefit Plan

Jewish United Fund is the sponsoring employer of the Federation Employees' Retirement Income Plan (FERIP), which is treated as a multi-employer plan for accounting purposes. FERIP is a noncontributory defined benefit plan which covers substantially all of the organizations' exempt employees who have performed one year of service. Participating employers in FERIP include: Jewish Federation of Metropolitan Chicago, JFMC Facilities Corporation, Chicago Board of Rabbis, CJE Senior Life, Jewish Child & Family Services, Jewish Community Centers of Chicago and Jewish Vocational Service (participating employers). FERIP provides defined benefits based on years of service and final average salary. Jewish United Fund and the participating employers' contribute to FERIP annually as determined by the plan's actuary.

In accordance with the guidance on employers' accounting for defined benefit pension and other postretirement plans, the liability for pension benefits reflects the total underfunded position of FERIP (the difference between the fair value of plan assets and the projected benefit obligation). To account for the participating employers' portion of the pension liability and corresponding expense, Jewish United Fund records an asset and reduces the pension expense which is allocated to operating expenses of the various departments. As of December 31, 2015, this asset totaled \$27,905,725. In addition, Jewish United Fund maintains a board designated investment for retirement benefits which totaled approximately \$791,000 at December 31, 2015, to fund possible future liabilities of FERIP and is included in the Retirement Benefits section of net assets at December 31, 2015.

Plan contributions and the actuarial present value of accumulated plan benefits are prepared based on certain assumptions pertaining to interest rates, inflation rates, mortality rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements. The fair value of plan assets is subject to the market volatility of the underlying investments.

The measurement date used to determine benefit obligations and fair value of plan assets was December 31, 2015.

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 9. Defined Benefit Plan (Continued)

Information relative to Jewish United Fund's benefit obligations for FERIP (including all participating employers) are presented below:

Obligations and funded status:

| | |
|---|------------------------|
| Fair value of plan assets | \$ 76,173,371 |
| Projected benefit obligation | <u>123,422,836</u> |
| Unfunded status (of which \$27,905,725 pertains to the participating employers) | <u>\$ (47,249,465)</u> |

Amounts reported on the statement of financial position consist of:

| | |
|---|------------------------|
| Amounts due from participating employers for pension benefits | \$ 27,905,725 |
| Liability for pension benefits | <u>(47,249,465)</u> |
| Net liability | <u>\$ (19,343,740)</u> |

Amounts recognized on the statement of activities as a change in unrestricted net assets:

| | |
|---|-----------------------|
| Pension expense recognized in operations | \$ 2,318,495 |
| Amounts recognized on the statement of activities as pension-related changes other than pension expense | <u>2,239,930</u> |
| | 4,558,425 |
| Add: net amount pertaining to participating employers | <u>4,370,289</u> |
| | <u>\$ 8,928,714</u> * |

Amounts not yet recognized as components of pension expense included in unrestricted net assets:

| | |
|---|------------------------|
| Prior service cost | \$ (60,211) |
| Net loss | <u>15,795,247</u> |
| | 15,735,036 |
| Add: net amount pertaining to participating employers | <u>24,069,343</u> |
| | <u>\$ 39,804,379</u> * |

Amounts recognized for the year:

| | |
|---|-----------------------|
| 2015 employer contributions - JUF | \$ 1,590,304 |
| Add: net amount pertaining to participating employers | <u>2,320,308</u> |
| Total FERIP contributions | <u>\$ 3,910,612</u> * |
| Benefits paid during 2015 - JUF | \$ 1,573,653 |
| Add: net amount pertaining to participating employers | <u>3,030,414</u> |
| Total FERIP benefits paid | <u>\$ 4,604,067</u> * |

* Amounts per actuary report

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 9. Defined Benefit Plan (Continued)

Weighted-average assumptions used in computing obligations and net periodic pension cost:

Benefit obligations:

| | | |
|--------------------------------|------|---|
| Discount rate | 4.50 | % |
| Rate of compensation increases | 2.50 | |

Net periodic benefit cost:

| | | |
|--------------------------------|------|---|
| Discount rate | 4.00 | % |
| Rate of compensation increases | 2.50 | |
| Expected return on plan assets | 7.50 | |

Jewish United Fund's expected long-term return on plan assets assumption is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term horizon. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive review of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (a) historical real returns, net of inflation, for the asset classes covered by the investment policy and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

For the year ended December 31, 2015, a discount rate on benefit obligations of 4.50 percent was used. For 2014, a discount rate of 4.00 percent was used.

For the year ended December 31, 2015, the RP-2014 Mortality Table for Males and Females was used in the determination of the present value of accumulated plan benefits. These tables are projected forward generationally using projection scale MP-2015.

FERIP's weighted-average asset allocation at the end of the year, by asset category, is as follows:

Asset category:

| | | |
|-----------------------------|------------|----------|
| Domestic fixed income | 42 | % |
| Domestic equity | 14 | |
| International equity | 24 | |
| Real estate | 7 | |
| Absolute return hedge funds | 12 | |
| Other | 1 | |
| | <u>100</u> | <u>%</u> |

Jewish United Fund's investment policy for FERIP includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 9. Defined Benefit Plan (Continued)

Jewish United Fund's investment policy for FERIP's overall investment strategy is to allocate approximately 60 percent of assets to a diversified equity-oriented return-seeking portfolio and 40 percent to a liability-hedging portfolio invested primarily in long duration fixed-income vehicles. Target allocations within the return-seeking portfolio are as follows: 66 percent to U.S. and international equity, 13 percent to global real estate and 21 percent to hedge funds and private equity. The JFMC Pooled Endowment Portfolio Committee regularly reviews FERIP's investment performance, funded status and investment policy. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

Expected required employer contributions for 2016 (of which \$2,116,391 pertains to the participating employers) \$ 3,566,933

The following benefit payments, which reflect future service, are expected to be paid:

| | |
|-----------|---------------|
| 2016 | \$ 5,399,000 |
| 2017 | 5,762,000 |
| 2018 | 6,108,000 |
| 2019 | 6,379,000 |
| 2020 | 6,737,000 |
| 2021-2025 | 37,256,000 |
| | \$ 67,641,000 |

The fair values of the Federation Employees' Retirement Income Plan assets at December 31, 2015, by asset category, are as follows:

| Asset Category | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Valued Using Net Asset Value ⁽¹⁾ | Total |
|-----------------------------|--|--|--|--|---------------|
| Money Market Fund | \$ 1,068,035 | \$ - | \$ - | \$ - | \$ 1,068,035 |
| Domestic Fixed Income | - | - | - | 31,696,053 | 31,696,053 |
| Domestic Equity | - | - | - | 10,543,190 | 10,543,190 |
| International Equity | - | - | - | 18,343,245 | 18,343,245 |
| Private Equity | - | - | - | 8 | 8 |
| Real Estate | - | - | - | 5,635,395 | 5,635,395 |
| Absolute Return Hedge Funds | - | - | - | 8,887,445 | 8,887,445 |
| Total | \$ 1,068,035 | \$ - | \$ - | \$75,105,336 | \$ 76,173,371 |

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the statement of financial position.

For the year ended December 31, 2015, there were no transfers between Levels 1, 2 and 3.

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 9. Defined Benefit Plan (Continued)

Investments in money market funds are traded on national securities exchanges and are stated at the last reported sales price on the day of valuation.

Alternative investments and other investment vehicles are valued at fair value based on the applicable percentage ownership of the investment funds' net assets as of the measurement date, as determined by Jewish United Fund. In determining fair value, Jewish United Fund utilizes valuations and other information provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments substantially on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective investment fund and may not reflect amounts that ultimately may be realized. The fair value of Jewish United Fund's alternative investments generally represents the amount expected to be received if Jewish United Fund were to liquidate its alternative investments, excluding any redemption charges that may apply. Accordingly, the estimated fair values of the alternative investments may differ significantly from the values that would have been used had a ready market existed for these investments.

In addition to sponsoring the FERIP, Jewish United Fund is an employer participant in Federation Employees' Retirement Savings Trust Plan of the Jewish Federation of Metropolitan Chicago and Participating Employers (FERST).

FERST is a noncontributory defined contribution plan, employer contributions to which are computed on the basis of a percentage of salary. FERST plan participants include Jewish United Fund employees who have completed one year of service and are covered by a collective bargaining agreement.

Gross contributions provided by Jewish United Fund (determined on the basis of salaries of participating employees) were approximately \$85,000 for 2015.

Note 10. Self-Insurance Programs and Retirement Plans

Jewish United Fund participates with the Jewish Federation and its affiliated agencies in self-insurance programs for health and dental insurance. Contributions by Jewish United Fund for such coverage (made to the Jewish Federation as custodian for these programs) amounted to approximately \$954,000. All self-insurance programs include specific and aggregate stop loss insurance policies.

Note 11. Endowment Net Assets

Jewish United Fund's endowment consists of donor-restricted funds established for a variety of purposes. In addition, its endowment includes funds designated by the Board of Directors to function as endowments. These funds are categorized as board designated. As required by GAAP, 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 Board of Directors of Jewish United Fund has interpreted the Illinois Prudent Uniform 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 explicit donor stipulations to the contrary. As a result of this interpretation, Jewish United Fund classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 11. Endowment Net Assets (Continued)

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

- 1) The duration and preservation of the fund;
- 2) The purpose of Jewish United Fund 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 Jewish United Fund; and
- 7) The investment policies of Jewish United Fund.

Endowment Composition

Jewish United Fund's endowment net asset composition by type of fund is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|------------------|----------------------|---------------------------|---------------------------|----------------------|
| Donor-restricted | \$ (961,241) | \$ 2,717,947 | \$ 12,079,543 | \$ 13,836,249 |
| Board-designated | 54,585,313 | - | - | 54,585,313 |
| | <u>\$ 53,624,072</u> | <u>\$ 2,717,947</u> | <u>\$ 12,079,543</u> | <u>\$ 68,421,562</u> |

Changes in Endowment Net Assets

The changes in endowment net assets for Jewish United Fund were as follows for the year ended December 31, 2015:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|----------------------|---------------------------|---------------------------|----------------------|
| Endowment net assets, beginning of year | \$ 59,010,577 | - | \$ 12,079,543 | \$ 71,090,120 |
| Investment return: | | | | |
| Investment income | 419,726 | 4,930 | - | 424,656 |
| Loss on investment activity (net of realized and unrealized) | (2,413,959) | (127,323) | - | (2,541,282) |
| | <u>(1,994,233)</u> | <u>(122,393)</u> | <u>-</u> | <u>(2,116,626)</u> |
| Contributions | <u>1,437,922</u> | <u>2,840,340</u> | <u>-</u> | <u>4,278,262</u> |
| Other changes: | | | | |
| Transfer to endowment | 164,142 | - | - | 164,142 |
| Distributions | (4,994,336) | - | - | (4,994,336) |
| Endowment net assets, end of year | <u>\$ 53,624,072</u> | <u>\$ 2,717,947</u> | <u>\$ 12,079,543</u> | <u>\$ 68,421,562</u> |

Jewish United Fund of Metropolitan Chicago

Notes to Financial Statements

Note 11. Endowment Net Assets (Continued)

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 or Illinois UPMIFA requires Jewish United Fund to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets relating to multiple funds were \$961,241 at December 31, 2015. This deficiency resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

Jewish United Fund has adopted endowment investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs 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 must be held in perpetuity, temporarily restricted funds that are operating as endowments, as well as unrestricted board-designated funds. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to achieve an annualized long-term average nominal return which is approximately equal to the long-term average return of the market as a whole, but with less volatility than the overall market. Actual returns in any given year may vary significantly from the targeted amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Jewish United Fund relies on a total return strategy in which returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Jewish United Fund's policy is to invest 100 percent of the endowment in the PEP (Note 5).

Spending Policy

Jewish United Fund has adopted the board-approved controlled growth distribution policy (CGDP) for the majority of its endowment assets. Under this policy, the rate for annual endowment distributions is based on the market performance of the PEP, with certain caps and floors to provide stability during volatile market environments. The CGDP also includes a target growth rate of 2.5 percent per year.

Note 12. Prior-Year Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with Jewish United Fund's financial statements for the year ended December 31, 2014, from which the summarized information was derived.