## THE JEWISH FEDERATION OF GREATER ANN ARBOR

## FINANCIAL STATEMENTS

For the years ended August 31, 2013 and 2012

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### Certified Public Accountants PLLC

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#### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors The Jewish Federation of Greater Ann Arbor Ann Arbor, Michigan

#### Report on the Financial Statements

We have audited the accompanying statements of financial position of The Jewish Federation of Greater Ann Arbor (a nonprofit organization) as of August 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the 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 of 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 the organization'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 the organization'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 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 audit opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2013 and 2012, and the 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.

Respectfully,

Bennett & Associates CPAS PLLC

Ann Arbor, Michigan December 16, 2013

	2013	2012
ASSETS		 _
Cash and cash equivalents	\$ 1,064,386	\$ 873,454
Unconditional promises to give, net of allowance	423,554	637,083
Investments, at fair value	3,655,631	3,799,600
Prepaid expenses	8,156	5,481
Equipment, net of accumulated depreciation		
of \$61,528 and \$75,218 in 2013 and 2012, respectively	5,827	4,591
TOTAL ASSETS	\$ 5,157,554	\$ 5,320,209
LIABILITIES		
Allocations payable	\$ 746,569	\$ 793,874
Accrued liabilities	36,779	38,120
Liabilities to other organizations	588,401	 514,927
TOTAL LIABILITIES	1,371,749	1,346,921
NET ASSETS		
Unrestricted		
Designated	566,590	570,750
Undesignated	1,321,516	 1,416,347
	1,888,106	1,987,097
Temporarily restricted	1,272,212	1,374,384
Permanently restricted	625,487	611,807
TOTAL NET ASSETS	3,785,805	3,973,288
TOTAL LIABILITIES AND NET ASSETS	\$ 5,157,554	\$ 5,320,209

## THE JEWISH FEDERATION OF GREATER ANN ARBOR STATEMENTS OF ACTIVITIES For the year ended August 31, 2013

		UNRESTRICTE	D	TEMPO				
		Donor				Total		
	All Other	Advised Funds	Total Unrestricted	Annual Campaign	All Other	Temporarily Restricted	PERMANENTLY RESTRICTED	Total 2013
SUPPORT AND REVENUE Contributions Contributions from donor advised funds Investment return Other income	\$ 55,431 357,860 59,750 21,919	\$ 154,519 (357,860) 138,777	\$ 209,950 - 198,527 21,919	\$ 1,041,703 - - -	\$ 48,887 145,578 -	\$ 1,090,590 - 145,578 -	\$ 13,680 - - -	\$ 1,314,220 - 344,105 21,919
Net assets released from restrictions	1,338,340		1,338,340	(1,242,247)	(96,093)	(1,338,340)		
TOTAL SUPPORT AND REVENUE	1,833,300	(64,564)	1,768,736	(200,544)	98,372	(102,172)	13,680	1,680,244
EXPENSES AND LOSSES Program Services Supporting Services	1,306,678	260,119	1,566,797	-	-	-	-	1,566,797
Management and general Fund-raising	111,368 189,562	<u>-</u>	111,368 189,562		- -	<u>-</u>	- -	111,368 189,562
TOTAL EXPENSES AND LOSSES	1,607,608	260,119	1,867,727					1,867,727
INCREASE (DECREASE) IN NET ASSETS	\$ 225,692	\$ (324,683)	(98,991)	\$ (200,544)	\$ 98,372	(102,172)	13,680	(187,483)
NET ASSETS AT BEGINNING OF YEAR			1,987,097			1,374,384	611,807	3,973,288
NET ASSETS AT END OF YEAR			\$ 1,888,106			\$ 1,272,212	\$ 625,487	\$ 3,785,805

# THE JEWISH FEDERATION OF GREATER ANN ARBOR STATEMENTS OF ACTIVITIES For the year ended August 31, 2012

		UNRESTRICTED	)	TEMPO	ORARILY RES	TRICTED		
	All Other	Donor Advised Total Funds Unrestricted		Annual All Campaign Other		Total Temporarily Restricted	PERMANENTLY RESTRICTED	Total 2012
SUPPORT AND REVENUE Contributions Contributions from donor advised funds Investment return Humanitarian dinner income, Other income	\$ 95,019 222,204 21,608 13,967	\$ 849,655 (222,204) 101,494	\$ 944,674 - 123,102 - 13,967	\$ 1,082,438 - - -	\$ 134,075 - 90,086	\$ 1,216,513 - 90,086 - -	\$ 10,947 - - - - -	\$ 2,172,134 - 213,188 - 13,967
Net assets released from restrictions	1,179,592		1,179,592	(1,092,230)	(87,362)	(1,179,592)		
TOTAL SUPPORT AND REVENUE	1,532,390	728,945	2,261,335	(9,792)	136,799	127,007	10,947	2,399,289
EXPENSES AND LOSSES Program Services Supporting Services Management and general	1,155,872	90,090	1,245,962	-	-	-	- -	1,245,962
Fund-raising  TOTAL EXPENSES AND LOSSES	<u>200,562</u> 1,459,250	90,090	200,562 1,549,340					200,562 1,549,340
INCREASE (DECREASE) IN NET ASSETS	\$ 73,140	\$ 638,855	711,995	\$ (9,792)	\$ 136,799	127,007	10,947	849,949
NET ASSETS AT BEGINNING OF YEAR			1,275,102			1,247,377	600,860	3,123,339
NET ASSETS AT END OF YEAR			\$ 1,987,097			\$ 1,374,384	\$ 611,807	\$ 3,973,288

# THE JEWISH FEDERATION OF GREATER ANN ARBOR STATEMENTS OF FUNCTIONAL EXPENSES For the year ended August 31,

		Supporting Services					
	Program	Ma	nagement	Fund-		Total	Total
	Services	an	d General		Raising	2013	 2012
Payments to national organizations	\$ 333,313	\$	-	\$	-	\$ 333,313	\$ 325,850
Payments to local organizations	577,293		-		-	577,293	475,732
Donor-advised payments	260,119		-			260,119	90,090
	 1,170,725		-		-	 1,170,725	891,672
Employee Compensation							
Salaries and wages	204,250		66,050		86,236	356,536	361,595
Fringe benefits	9,334		3,518		2,281	15,133	27,045
Payroll taxes	3,381		4,653		6,212	14,246	19,281
. dy, on takes	216,965		74,221		94,729	385,915	407,921
Other Francisco					_		
Other Expenses	4 557		40.000			45 400	44.000
Accounting fees	4,557		10,633		-	15,190	14,892
Supplies	4,224		6,021		2,376	12,621	8,604
Telephone	4,034		2,095		2,041	8,170	9,118
Postage & shipping	466		953		-	1,419	2,743
Occupancy	19,520		6,585		9,656	35,761	33,732
Printing and publications	1,072		7,030		3,213	11,315	3,872
Conferences, conventions & meetings	109		-		-	109	2,403
Depreciation	-		1,244		-	1,244	2,328
Other			4 544			4 544	4 507
Insurance	-		1,511		-	1,511	1,527
Committee expenses	63,640		-		-	63,640	28,607
Fundraising promotions	-		- 070		62,405	62,405	59,177
Dues & subscriptions	-		373		-	373	-
Program expenses	21,338		700		- 45 440	21,338	24,229
All other	 60,147		702		15,142	 75,991	 58,515
	 179,107		37,147		94,833	 225,258	 172,055
Total expenses	\$ 1,566,797	\$	111,368	\$	189,562	\$ 1,867,727	\$ 1,549,340

		Supporting Services					
	Program	Ma	nagement		Fund-		Total
	 Services		d General		Raising		2012
Payments to national organizations	\$ 325,850	\$	-	\$	-	\$	325,850
Payments to local organizations	475,732		-		-		475,732
Donor-advised payments	90,090		-				90,090
	 891,672		-		-		891,672
Employee Compensation							
Salaries and wages	202,924		55,712		102,959		361,595
Fringe benefits	13,320		6,145		7,580		27,045
Payroll taxes	5,612		4,186		9,483		19,281
Fayion taxes	 221,856		66,043		120,022		407,921
	 221,030		00,043		120,022		707,321
Other Expenses							
Accounting fees	4,468		10,424		-		14,892
Supplies	1,695		5,561		1,348		8,604
Telephone	4,641		2,156		2,321		9,118
Postage & shipping	219		2,524		-		2,743
Occupancy	18,215		6,409		9,108		33,732
Printing and publications	-		3,872		-		3,872
Conferences, conventions & meetings	243		2,160		-		2,403
Depreciation	-		2,328		-		2,328
Other							
Insurance	825		290		412		1,527
Committee expenses	28,607		-		-		28,607
Fundraising promotions	-		-		59,177		59,177
Dues & subscriptions	-		-		-		-
Program expenses	24,229		-		-		24,229
All other	 49,292		1,049		8,174		58,515
	 132,434		36,773		80,540		172,055
Total expenses	\$ 1,245,962	\$	102,816	\$	200,562	\$	1,549,340

#### THE JEWISH FEDERATION OF GREATER ANN ARBOR

STATEMENTS OF CASH FLOWS For the years ended August 31,

	2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase/(decrease) in net assets	\$ (187,483)	\$	849,949
Adjustments to reconcile increase/(decrease) in net assets	,		
to net cash provided/(used) by operations:			
Depreciation	1,244		2,328
Unrealized gain on investments	(298,846)		(213,075)
Change in contributions receivable	213,529		8,994
Change in prepaid expenses	(2,675)		(5,282)
Change in allocations payable	(47,305)		(42,904)
Change in accrued liabilities	(1,341)		30,771
Change in liabilities to other organizations	73,474		53,320
Net cash provided/(used) by operations	(249,403)		684,101
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (purchase) / sale of investments	440,335		(677,429)
Purchases of property and equipment			-
Net cash provided/(used) by investing activities	 440,335	'	(677,429)
riot dadii providea/(daed) by investing detivides	 440,000		(011,420)
NET CHANGE IN CASH AND CASH EQUIVALENTS	190,932		6,672
BEGINNING CASH AND CASH EQUIVALENTS	873,454		866,782
ENDING CASH AND CASH EQUIVALENTS	\$ 1,064,386	\$	873,454

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Jewish Federation of Greater Ann Arbor (the "Federation") is presented to assist in understanding the Federation's financial statements. The financial statements and notes are representations of the Federation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

#### Nature of Organization

The Federation is a not-for-profit association organized to provide support for charitable, religious, and educational organizations. The Federation was formed effective January 1, 1987 through the combination of the United Jewish Appeal of Washtenaw County and the Jewish Community Council of Washtenaw County. The Federation's primary sources of revenue are private and public contributions, grants and investment income.

#### Basis of Accounting

The accompanying financial statements of the Federation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

#### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Federation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Unrestricted net assets – Unrestricted net assets consist primarily of the unspent portion of donor-advised funds.

Temporarily restricted net assets – Contributions restricted by donors for the purpose of providing support for charitable, religious, or educational organizations and the investment income earned on the contributions are recorded as temporarily restricted until they are disbursed to recipients meeting the requirements specified by the donor. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

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

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Federation considers cash equivalents to consist of cash and certificates of deposit.

#### **Equipment**

Equipment is recorded at cost, or where applicable, appraised value at date of donation. Depreciation is computed using the straight-line method over estimated useful lives of the assets. Major expenditures for property and those that substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Functional Expenses

Salaries and other expenditures have been allocated between program services, management and general, and fund-raising on various bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

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#### Note A - Summary of Significant Accounting Policies Continued

#### Income Taxes

The Federation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Federation qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Federation's Form 990 returns for 2010, 2011, 2012 and 2013 are subject to examination by the Internal Revenue Service, generally for three years after being filed.

#### Subsequent Event

Subsequent events have been evaluated through December 16, 2013, the date the financial statements were available to be issued.

#### NOTE B - RELATED PARTY TRANSACTIONS

The board chairs of the Jewish Community Center of Greater Ann Arbor (JCC) and Jewish Family Services of Washtenaw County (JFS) are board members of the Federation. Federation allocations to JCC were \$163,000 and \$143,000 in 2013 and 2012 respectively. Federation allocations to JFS were \$118,500 and \$103,750 in 2013 and 2012 respectively.

#### NOTE C - FUNDS HELD FOR OTHER ORGANIZATIONS

The Federation holds investment funds for other organizations which are on deposit with the United Jewish Federation of Greater Pittsburgh. The total of \$588,401 has been reflected in the investment balance and as a liability to other organizations on the accompanying statement of financial position.

#### NOTE D - CONTRIBUTIONS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Substantially all of the contributions receivable balance at August 31, 2013 relates to the 2013 Campaign. Contributions receivable and allowance for doubtful accounts at August 31 are as follows:

	2013	 2012
Receivable in less than one year	\$ 481,027	\$ 735,244
Receivable in one to five years	9,338	7,871
Total unconditional promises to give	490,365	743,115
Less: allowance for uncollectible pledges	(66,811)	(106,032)
	\$ 423,554	\$ 637,083

#### **NOTE E - LEASES**

The Federation leases its office space from the Jewish Community Center under a three year agreement expiring in August 2014. Future minimum payments required under this lease are as follows:

2014	\$ 37,908
2015	-
2016	-
	\$ 37,908
	\$ 37,90

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#### **NOTE F - INVESTMENTS**

Investments at August 31, 2013 consist of an interest in the United Jewish Federation of Greater Pittsburgh's Balanced Investment Portfolio (the Fund) consisting of equity securities, debt securities, hedge funds, funds of funds and private equity investments.

The Federation is allocated actual gains and losses on its portion of money deposited into the Fund. Investment return consists of the net appreciation in the value of the Foundation's share of the fund. The Federation's investments are not covered by FDIC or SPIC insurance.

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that change in the values of investment securities will occur in the near term and that these changes could materially affect account balances.

#### Fair Value Measurements

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 estimated fair values of the Federation's investments are as follows:

 2013		2012	
Level 3	Level 3		
\$ 52,425	\$	61,243	
2,686,613		2,646,794	
 916,593		1,091,563	
\$ 3,655,631	\$	3,799,600	
_	Level 3 \$ 52,425 2,686,613 916,593	\$ 52,425 \$ 2,686,613 916,593	

The changes in Level 3 investments are summarized as follows:

	 2013	2012
Balance at beginning of year	\$ 3,799,600	\$ 2,909,096
Net gains (realized and unrealized)	402,899	252,411
Fees	(31,909)	(25,353)
Net new investments / (redemptions)	(514,959)	663,446
Balance at end of year	\$ 3,655,631	\$ 3,799,600

#### NOTE G - RESTRICTED NET ASSETS

The Federation's temporarily and permanently restricted net assets consist of the following at August 31:

	2013							2012		
							T	emporarily		
								and		
	Temporarily Permanently						P	ermanently		
	F	Restricted	R	estricted		Total	Res	stricted Total		
Annual Campaign Jewish Community Foundation of Greater Ann Arbor funds with various	\$	400,378	\$	-	\$	400,378	\$	600,922		
purpose restrictions		871,834		625,487		1,497,321		1,385,269		
Total Retricted Net Assets	\$	1,272,212	\$	625,487	\$	1,897,699	\$	1,986,191		

#### NOTE H - CONCENTRATIONS OF CREDIT RISK IN FINANCIAL INSTRUMENTS

Financial instruments, which potentially subject the Federation to concentrations of credit risk include cash, contributions receivable and investments. The Federation maintains its cash balances in three local financial institutions. The Federal Deposit Insurance Corporation insures cash balances up to \$250,000. At August 31, 2013, the Federation's uninsured cash balance totaled \$0.

#### **NOTE I - RISKS AND UNCERTAINTIES**

Through organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that change in the values of investment securities will occur in the near term and that these changes could materially affect account balances.

#### **NOTE J - ALLOCATIONS PAYABLE**

The Federation Board of Directors approved the allocation of funds to a variety of organizations. The amount of funds allocated but not paid as of August 31, 2013 was \$746,569, which is recorded as allocations payable in the accompanying statement of financial position. All amounts are payable within one year.

#### NOTE K - RETIREMENT PLAN

In 2005, the Federation adopted a 403(b) retirement plan covering substantially all employees. Federation contributions to the plan totaled \$17,160 in 2013.

#### NOTE L - ENDOWMENT FUNDS

The Federation's endowment consists of fifteen individual funds established for a variety of purposes. Its endowment consists of donor-restricted endowment funds. 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 Federation has interpreted the Uniform Management of Institutional Funds Act as requiring the preservation of the historical dollar 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, the Federation classifies 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.

#### NOTE M - ENDOWMENT FUNDS, continued

#### Change in Endowment Net Assets

Changes in endowment net assets for the year ended August 31, 2013:

		Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
Net assets, beginning of the year	\$	(8,332)	\$	69,705	\$	611,807	\$	673,180	
Gain from investments		6,142		70,738				76,880	
New gifts						13,680		13,680	
Other changes				(32,972)				(32,972)	
Net assets, end of year	\$	(2,190)	\$	107,471	\$	625,487	\$	730,768	
anges in endowment net assets for the year ended August 31, 2012:									

		Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
Net assets, beginning of the year	\$	(8,560)	\$	82,554	\$	600,860	\$	674,854	
Gain from investments		228		46,561		-		46,789	
New gifts		-		-		10,947		10,947	
Other changes				(59,410)		-		(59,410)	
Net assets, end of year	\$	(8,332)	\$	69,705	\$	611,807	\$	673,180	

#### Return Objectives and Risk Parameters

The Federation has adopted investment and spending policies for endowment assets that attempt to provide a predictable 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 the Federation must hold in perpetuity.

Under this policy, as approved by the Board of Directors, the Federation's goal is to earn a stable and predictable amount of current income from the endowment, while reinvesting additional interest in years when the Federation's investments do well.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Federation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Federation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

## THE JEWISH FEDERATION OF GREATER ANN ARBOR NOTES TO FINANCIAL STATEMENTS

#### NOTE M - ENDOWMENT FUNDS, continued

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Federation determines a current year distribution on June 30th of each year. This calculation will be based on 5.5% of the average fund balance for the previous four quarters (or current fund balance if the fund is less than four quarters old). The agency will then have the following options:

- 1) Receive the calculated distribution as a lump sum in August.
- 2) Receive quarterly distributions during the ensuing fiscal year.
- 3) Transfer the calculated distribution into an Agency Account at the Foundation.
- 4) Keep the calculated distribution in the endowment fund, at which time it will become part of the endowment corpus and not available for future distribution.

Distributions will not be made if doing so would bring the account value below the original permanently restricted endowment investment amount. Also, the executive director and/or board may opt out of this annual transfer if the account value has recently fallen and/or for any other reason that is deemed to be in the best interests of the Federation and/or the endowment principle in the account.

This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts.