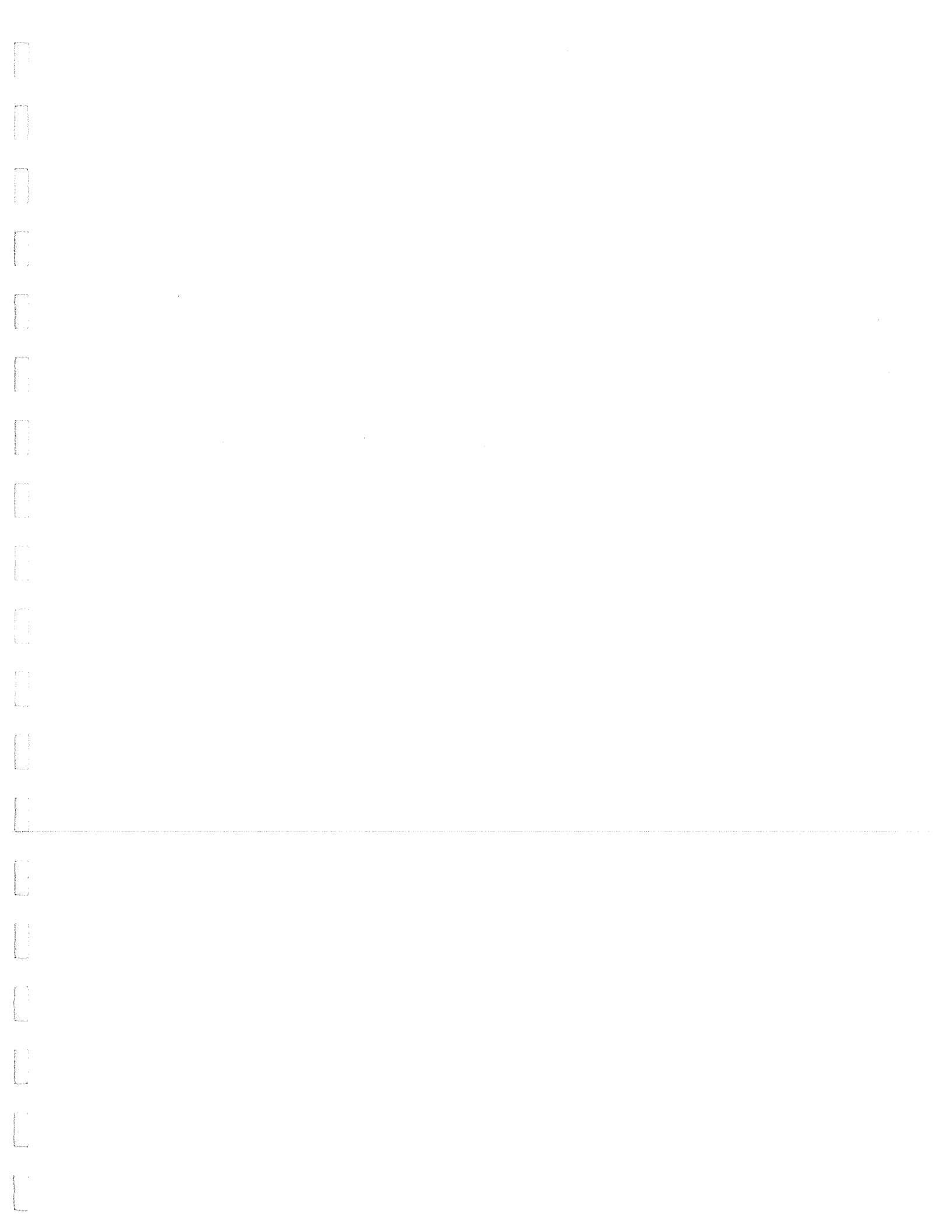


Jewish Federation
OF NORTHEASTERN NEW YORK

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012



**UNITED JEWISH FEDERATION OF
NORTHEASTERN NEW YORK, INC.**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Jewish Federation of Northeastern New York, Inc.

We have audited the accompanying financial statements of United Jewish Federation of Northeastern New York, Inc. (the Federation), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Federation as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Albany, New York
July 10, 2014

**UNITED JEWISH FEDERATION OF
NORTHEASTERN NEW YORK, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 809,949	\$ 1,431,508
Pledges receivable, net	1,402,477	1,540,202
Other receivables	459,542	805,892
Investments	19,012,490	16,129,067
Net cash value of life insurance	500,944	465,066
Net property and equipment	1,781,222	1,879,465
Other assets	174,954	159,122
	<u>\$ 24,141,578</u>	<u>\$ 22,410,322</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 275,113	\$ 285,489
Assets held on behalf of other organizations	3,876,072	3,280,624
Other liabilities	546,986	396,754
	<u>4,698,171</u>	<u>3,962,867</u>
NET ASSETS		
Unrestricted	4,488,387	4,577,437
Temporarily restricted	7,705,243	7,039,421
Permanently restricted	7,249,777	6,830,597
	<u>19,443,407</u>	<u>18,447,455</u>
	<u>\$ 24,141,578</u>	<u>\$ 22,410,322</u>

See notes to financial statements.

UNITED JEWISH FEDERATION OF NORTHEASTERN NEW YORK, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended December 31, 2013 and 2012

	2013				2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds</u>
SUPPORT AND REVENUES								
<i>Contributions:</i>								
General campaign	\$ 1,294,712	\$ 1,175,649	\$ -	\$ 2,470,361	\$ 1,399,874	\$ 1,246,988	\$ -	\$ 2,646,862
Other contributions	38,887	826,875	115,190	980,952	74,074	673,969	471,572	1,219,615
Transfers from restricted donor advised funds	-	(303,990)	303,990	-	-	(105,778)	105,778	-
Net assets released from general campaign contributions restrictions	<u>1,246,988</u>	<u>(1,246,988)</u>	<u>-</u>	<u>-</u>	<u>1,353,069</u>	<u>(1,353,069)</u>	<u>-</u>	<u>-</u>
Total contributions	<u>2,580,587</u>	<u>451,546</u>	<u>419,180</u>	<u>3,451,313</u>	<u>2,827,017</u>	<u>462,110</u>	<u>577,350</u>	<u>3,866,477</u>
<i>Other revenues:</i>								
Interest and dividends	72,628	324,234	-	396,862	93,280	306,516	-	399,796
Other	511,728	-	-	511,728	415,676	-	-	415,676
Net assets released through satisfaction of program restrictions	<u>1,142,518</u>	<u>(1,142,518)</u>	<u>-</u>	<u>-</u>	<u>1,264,424</u>	<u>(1,264,424)</u>	<u>-</u>	<u>-</u>
Total other revenue	<u>1,726,874</u>	<u>(818,284)</u>	<u>-</u>	<u>908,590</u>	<u>1,773,380</u>	<u>(957,908)</u>	<u>-</u>	<u>815,472</u>
Total support and revenue	<u>4,307,461</u>	<u>(366,738)</u>	<u>419,180</u>	<u>4,359,903</u>	<u>4,600,397</u>	<u>(495,798)</u>	<u>577,350</u>	<u>4,681,949</u>
EXPENSES								
Program services	3,623,538	-	-	3,623,538	3,683,267	-	-	3,683,267
Management and general	660,442	-	-	660,442	641,440	-	-	641,440
Fund raising	<u>391,538</u>	<u>-</u>	<u>-</u>	<u>391,538</u>	<u>484,710</u>	<u>-</u>	<u>-</u>	<u>484,710</u>
Total expenses	<u>4,675,518</u>	<u>-</u>	<u>-</u>	<u>4,675,518</u>	<u>4,809,417</u>	<u>-</u>	<u>-</u>	<u>4,809,417</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT TRANSACTIONS								
Gain on sale of investments	214,185	732,704	-	946,889	133,341	182,934	-	316,275
Unrealized gain on investments	<u>64,822</u>	<u>299,856</u>	<u>-</u>	<u>364,678</u>	<u>708</u>	<u>255,574</u>	<u>-</u>	<u>256,282</u>
CHANGE IN NET ASSETS	(89,050)	665,822	419,180	995,952	(74,971)	(57,290)	577,350	445,089
Net assets, beginning of year	<u>4,577,437</u>	<u>7,039,421</u>	<u>6,830,597</u>	<u>18,447,455</u>	<u>4,652,408</u>	<u>7,096,711</u>	<u>6,253,247</u>	<u>18,002,366</u>
Net assets, end of year	<u>\$ 4,488,387</u>	<u>\$ 7,705,243</u>	<u>\$ 7,249,777</u>	<u>\$ 19,443,407</u>	<u>\$ 4,577,437</u>	<u>\$ 7,039,421</u>	<u>\$ 6,830,597</u>	<u>\$ 18,447,455</u>

See notes to financial statements.

UNITED JEWISH FEDERATION OF NORTHEASTERN NEW YORK, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 995,952	\$ 445,089
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	123,788	120,144
Net unrealized gain on investments	(364,678)	(256,282)
Net investment income on assets held for others	514,060	224,980
Realized gain on sale of investments	(946,889)	(316,275)
Changes in:		
Pledges receivable, net	137,725	116,996
Other receivables	346,350	(111,751)
Other assets	(15,832)	22,016
Accounts payable and accrued expenses	(10,376)	(68,338)
Other liabilities	<u>150,232</u>	<u>116,154</u>
Net cash provided by operating activities	<u>930,332</u>	<u>292,733</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,957,899)	(5,339,734)
Sales and maturities of investments	7,386,042	4,579,380
Deposits to assets held on behalf of other organizations	181,095	224,359
Withdrawals from assets held on behalf of other organizations	(99,707)	(156,075)
Increase in cash value of life insurance	(35,878)	(43,315)
Purchase of property and equipment	<u>(25,544)</u>	<u>(40,567)</u>
Net cash used in investing activities	<u>(1,551,891)</u>	<u>(775,952)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(621,559)	(483,219)
Cash and cash equivalents, beginning of year	<u>1,431,508</u>	<u>1,914,727</u>
Cash and cash equivalents, end of year	<u>\$ 809,949</u>	<u>\$ 1,431,508</u>

See notes to financial statements.

UNITED JEWISH FEDERATION OF NORTHEASTERN NEW YORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2013 and 2012

	2013				2012			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 628,676	\$ 264,705	\$ 209,558	\$ 1,102,939	\$ 651,049	\$ 274,126	\$ 217,016	\$ 1,142,191
Temporary staffing	2,136	900	712	3,748	650	274	216	1,140
Benefits and payroll related costs	123,154	52,794	41,051	216,999	122,210	51,457	40,736	214,403
Total salaries and related expenses	753,966	318,399	251,321	1,323,686	773,909	325,857	257,968	1,357,734
Allocations to beneficiary organizations	2,394,564	-	-	2,394,564	2,535,209	-	-	2,535,209
Travel expense	4,528	6,643	4,817	15,988	5,977	7,539	4,707	18,223
Bad debts (recoveries), net	-	-	(52,808)	(52,808)	-	-	33,327	33,327
Conferences	21,900	3,969	5,546	31,415	20,789	4,348	2,869	28,006
Data processing	6,547	23,271	-	29,818	-	32,548	-	32,548
Depreciation	34,946	53,896	34,946	123,788	34,946	50,252	34,946	120,144
Dues	3,965	3,461	73	7,499	27,522	8,791	59	36,372
Event expenses	257,175	-	77,194	334,369	151,379	65	85,925	237,369
Insurance	-	34,981	-	34,981	-	29,401	-	29,401
Marketing expense	17,994	2,006	7,312	27,312	17,135	755	5,679	23,569
Meetings	6,710	3,236	1,683	11,629	12,519	2,314	1,337	16,170
Occupancy	69,555	64,702	27,498	161,755	58,469	54,390	23,116	135,975
Office expense	6,105	31,933	10,645	48,683	8,911	33,331	11,110	53,352
Postage	18,162	4,541	4,125	26,828	12,433	3,108	6,624	22,165
Printing	13,704	4,759	15,934	34,397	15,000	3,995	13,376	32,371
Investment and other fees	13,709	91,091	2,350	107,150	8,840	71,924	3,000	83,764
Other	8	13,554	902	14,464	229	12,822	667	13,718
Totals	\$ 3,623,538	\$ 660,442	\$ 391,538	\$ 4,675,518	\$ 3,683,267	\$ 641,440	\$ 484,710	\$ 4,809,417

See notes to financial statements.

**UNITED JEWISH FEDERATION OF
NORTHEASTERN NEW YORK, INC.**
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – ORGANIZATION

United Jewish Federation of Northeastern New York, Inc. (the "Federation") is a non-profit corporation, organized in 1986, to coordinate Jewish philanthropic, social service, welfare and communal activities, and to coordinate fund raising for national, overseas and local causes related to Jewish life. The Federation functions as the community's central agency for meeting Jewish needs and articulating Jewish concerns in the Capital Region, in Israel, nationally, and around the world.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of accounting and financial statement presentation: The Federation follows accounting and reporting guidelines established by the Financial Accounting Standards Board. The Federation has established standards for external financial reporting, including the classification of resources, into three net asset categories according to externally (donor) imposed restrictions:

Unrestricted net assets primarily consist of revenues generated from contributions for the Federation's annual campaign and unrestricted contributions.

Temporarily restricted net assets are comprised of donor contributions restricted for the funding of certain Federation programs and functions. Temporarily restricted net assets also include contributions related to the Federation's Annual Campaign received in advance of the respective campaign years in the approximate amounts of \$1,176,000 and \$1,247,000 at December 31, 2013 and 2012, respectively. Temporarily restricted net assets also include donor-advised funds, whereby donors are given the opportunity to make non-binding recommendations with respect to charitable distributions from the funds. Donor-advised funds approximated \$2,676,000 and \$2,736,000 at December 31, 2013 and 2012, respectively. Temporary restrictions are satisfied either by the passage of time or by actions of the Federation.

Permanently restricted net assets consist of endowments established by various donors which are invested in perpetuity to provide a permanent source of income, the use of which is restricted according to the donors' instructions. All endowment investment income and unrealized and realized gains/losses are recorded as a component of temporarily restricted net assets.

Cash and cash equivalents: Cash equivalents principally represent money market funds. The Federation places its cash and cash equivalents with high credit quality financial institutions. Such amounts, however, are generally in excess of FDIC insurance limits.

Pledges receivable: The Federation records unconditional promises to give (pledges) as receivables and revenue and, in addition, distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. As more fully disclosed under Note 3, the Federation reports pledges receivable as component of its Annual Campaign. Pledges are stated net of an allowance to reduce pledges receivable to their estimated realizable value. Campaign contributions are recorded in the year pledged for financial reporting purposes and, as such, differ from the Federation's campaign year and related internal campaign reporting.

**UNITED JEWISH FEDERATION OF
NORTHEASTERN NEW YORK, INC.**
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other contributions: Other contributions represent support received for Federation activities other than the Annual Campaign. Such contributions are recorded as unrestricted, temporarily restricted or permanently restricted revenue, depending on the existence of any donor restrictions.

Other revenues: Other revenues are principally comprised of grants, sponsorships, event income and fees for certain services.

Investments: As more fully disclosed under Note 5, investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. To adjust the carrying value of investments, the change in fair market value is reflected in the financial statements.

Property and equipment: As more fully disclosed under Note 6, property and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided for on the straight-line basis, over the estimated useful life of the asset, generally ranging from 3 to 30 years.

Cash value of life insurance: The Federation is the owner and beneficiary of nineteen life insurance policies. The sum of all death benefits, which are only recorded in the financial statements to the extent of the underlying cash value (but which will be added to the endowment fund after the death of the insured), is approximately \$4,600,000.

Assets held on behalf of other organizations: The Federation follows the provisions for 'Transfers of Assets to a Not-for-Profit Organization that Holds Contributions for Others'. In accordance with this standard, transfers of assets (principally investments) from a resource provider that are either revocable or reciprocal, in that the resource provider specifies itself or its affiliate as the beneficiary, are accounted for as a liability. This liability, net of distributions, is presented in the Statements of Financial Position as 'Assets Held On Behalf Of Other Organizations'.

Allocations to beneficiary agencies: Allocations to beneficiary agencies are authorized by the Federation's Board of Directors and recorded in the year of commitment. Such allocations are determined based on pledges and contributions expected to be received during each campaign year, net of appropriate reductions for operating expenses and a provision for uncollectible pledges.

Contributed services: A substantial number of volunteers have donated significant amounts of their time in support of the Federation's fund raising activities, programs and administrative services. These contributed services have not been quantified and, as such, no revenue or expense has been recognized in the accompanying financial statements.

Endowment spending policy: As more fully disclosed under Note 9, the Federation has an endowment spending policy which is applied to the Federation's permanently restricted investments. The policy is intended to preserve the purchasing power of the corpus and insulate program spending from fluctuations in capital markets. The amount of permanently restricted investments made available annually is based on various financial and economic factors specified in the endowment spending policy.

**UNITED JEWISH FEDERATION OF
NORTHEASTERN NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax status: The Federation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. The Federation follows the guidance issued by the Financial Accounting Standards Board regarding accounting for uncertainty in income taxes. This guidance requires an assessment of the likelihood of a tax position being sustained upon examination by the taxing authorities and prescribes the minimum recognition level. The Federation believes that there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within 12 months of the reporting date. None of the Federation's federal or state information returns is currently under examination by the Internal Revenue Service ('IRS') or New York State authorities. However fiscal years 2011 and later remain subject to examination by the IRS and New York State.

Subsequent events: Subsequent events have been evaluated through July 10, 2014, the date the financial statements were available to be issued.

Estimates and assumptions: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification: Certain 2012 financial statement line items have been reclassified to conform with the current year presentation.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable, which are stated in the Statements of Financial Position net of an allowance, are comprised of the following:

	December 31	
	2013	2012
Annual campaign pledges receivable	\$ 1,716,492	\$ 1,912,558
Less allowance for uncollectible campaign pledges	(314,015)	(372,356)
Annual campaign, net	<u>\$ 1,402,477</u>	<u>\$ 1,540,202</u>

The Federation has a long-standing policy which provides for the recording of an allowance for uncollectible annual campaign pledges approximating 3% for all current and one year old receivables, 20% for all two year old receivables, and 65% for all three year old receivables. Annual campaign pledges which remain uncollected after three years are written off, except in instances where collection is evidenced by receipt of the pledged contribution subsequent to year-end. Although pledges are written off for financial reporting purposes, collection efforts are, in many instances, still pursued.

**UNITED JEWISH FEDERATION OF
NORTHEASTERN NEW YORK, INC.**
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 4 – OTHER RECEIVABLES

Other receivables are comprised of the following:

<u>Category of Receivable</u>	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Accrued investment income	\$ 224,773	\$ 464,449
Accrued corporate sponsorships	135,362	155,010
Note receivable from Capital District Community Loan Fund	20,000	20,000
Installment note receivable from Hebrew Academy of the Capital District (due August 2018)	55,000	-
Installment note receivable from Congregation Beth Abraham-Jacob (due September 2015)	16,407	25,000
Installment note receivable from Sidney Albert Albany Jewish Community Center (due December 2018)	11,500	14,500
Other receivables	-	130,433
	<u>463,042</u>	<u>809,392</u>
Less allowance for uncollectible accounts	<u>(3,500)</u>	<u>(3,500)</u>
	<u>\$ 459,542</u>	<u>\$ 805,892</u>

NOTE 5 – INVESTMENTS

Overview: The Federation's investments are managed by independent investment advisors, with the oversight of the Federation's Endowment Investment Committee. The primary investment goal is to maximize the growth of the fund so that, over time, the fund will grow at a rate equal to the payout rate, plus the rate of inflation. The Committee establishes investment and fiscal policies which provide, among other things, broad guidance to the investment advisors in allocating investments between equity and fixed income securities. The long-term benchmark for evaluating investment performance is the S&P 500 Index (with a 60% allocation) and the Barclay's Capital Credit Index (with a 40% allocation).

Valuation: The Federation provides for Fair Value Measurements for investments, a practice which establishes a framework for measuring fair value under generally accepted accounting principles and providing disclosures about fair value measurements. The framework emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing an asset.

Equity and debt securities and U.S. government securities are valued at the closing price reported on the active market on which the individual securities are traded. State of Israel bonds are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer (an amount which approximates par value). Other securities are valued based on other observable inputs from similar investments (an amount which approximates an annual valuation driven redemption value).

**UNITED JEWISH FEDERATION OF
NORTHEASTERN NEW YORK, INC.**
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 5 – INVESTMENTS (Continued)

The Federation's investments, which include investments held on behalf of other organizations (see Note 2) and investments held under certain deferred giving arrangements (see Note 8), are comprised of the following:

	December 31, 2013		
	Cost	Fair Value	Unrealized Gain
Cash Equivalents	\$ 330,320	\$ 330,320	\$ -
State of Israel Bonds	3,075,980	3,075,980	-
Equity Securities	6,643,551	8,266,230	1,622,679
Debt Securities	3,184,629	3,249,755	65,126
Consolidated Investment Fund (see page 11)	3,007,840	3,286,972	279,132
Other Securities	522,667	803,233	280,566
	<u>\$ 16,764,987</u>	<u>\$ 19,012,490</u>	<u>\$ 2,247,503</u>

	December 31, 2012		
	Cost	Fair Value	Unrealized Gain
Cash Equivalents	\$ 487,603	\$ 487,603	\$ -
State of Israel Bonds	2,813,598	2,813,598	-
Certificates of Deposit	300,205	300,205	-
U.S. Government Obligations	227,402	228,070	668
Equity Securities	6,792,967	8,022,315	1,229,348
Debt Securities	3,532,703	3,669,919	137,216
Other Securities	209,029	607,357	398,328
	<u>\$ 14,363,507</u>	<u>\$ 16,129,067</u>	<u>\$ 1,765,560</u>

The aggregate difference between the net unrealized gain at December 31, 2013 and the net unrealized gain at December 31, 2012 (approximating \$482,000) is reflected on the 2013 Statement of Activities net of applicable unrealized gains (approximating \$117,000) which are included as a component of "Assets held on Behalf of Other Organizations."

Certain investments are classified as restricted funds as they represent endowment contributions which have been restricted by donors for future allocations to specific beneficiary organizations or programs. A classification of investments, at market value, follows:

	December 31	
	2013	2012
Unrestricted funds	\$ 4,388,913	\$ 4,002,167
Restricted funds	14,623,577	12,126,900
	<u>\$ 19,012,490</u>	<u>\$ 16,129,067</u>

**UNITED JEWISH FEDERATION OF
NORTHEASTERN NEW YORK, INC.**
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 5 – INVESTMENTS (Continued)

Equity in Consolidated Investment Fund: In July 2013, Federation transferred approximately \$3 million of funds to the Consolidated Investment Fund (CIF), an investment fund managed by the Associated Jewish Charities of Baltimore (AJCB). Investments of the CIF, other than limited partnership interests and certain mutual funds, are under custodial agreements with a financial institution. Gains and losses on sales of investments and income earned on investments are allocated monthly to Federation, and each other agency or entity, based on the individual agency's or entity's share of the total fair value of CIF. Total Federation assets held in the CIF were approximately \$3,287,000 at December 31, 2013 (inclusive of dividends, interest, and net realized and unrealized gains).

CIF's professionally managed portfolio contains common stocks and bonds of publicly-traded companies, U.S. Government obligations, mutual funds, private equity funds, hedge funds, limited partnership and money market funds. Such investments are exposed to various market uncertainties, including interest rate and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the schedules.

The CIF also held interests in various limited partnerships at December 31, 2013. The partnerships invest in a wide array of investment vehicles including common stocks, restricted investments, bonds, futures contracts, foreign currency contracts, reverse repurchase agreements, written options and other investment derivatives. Certain of these investment vehicles include an inherently higher degree of risk than others. AJCB regularly reviews the progress and valuation of these interests.

Fair Value Measurements: The inputs for valuing Federation's investments are not necessarily an indication of the risk associated with investing in those investments. 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. The assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the investment. The following section describes the valuation techniques used by Federation:

- Level 1:** Investments in securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. Fair value of exchange-traded contracts are based upon exchange settlement prices. These financial instruments are classified as Level 1 in the fair value hierarchy.
- Level 2:** Investments in corporate bonds and government obligations are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 2 in the fair value hierarchy.
- Level 3:** Investments which are not readily marketable are classified as Level 3 in the fair value hierarchy. Federation holds certain other non-marketable investments and an indirect interest in the CIF. Since there is no active market which provides for the redemption of these investments, they are classified as Level 3 in the fair value hierarchy.

**UNITED JEWISH FEDERATION OF
NORTHEASTERN NEW YORK, INC.**
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 5 – INVESTMENTS (Continued)

The following table summarizes the valuation of the Federation's investments under the fair value hierarchy:

Assets at Fair Value as of December 31, 2013				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash Equivalents	\$ 330,320	\$ -	\$ -	\$ 330,320
State of Israel Bonds	-	3,075,980	-	3,075,980
Equity Securities	8,266,230	-	-	8,266,230
Debt Securities	3,249,755	-	-	3,249,755
Consolidated Investment Fund	-	-	3,286,972	3,286,972
Other Securities	-	803,233	-	803,233
	<u>\$ 11,846,305</u>	<u>\$ 3,879,213</u>	<u>\$ 3,286,972</u>	<u>\$ 19,012,490</u>

Assets at Fair Value as of December 31, 2012				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash Equivalents	\$ 487,603	\$ -	\$ -	\$ 487,603
State of Israel Bonds	-	2,813,598	-	2,813,598
Certificates of Deposit	300,205	-	-	300,205
U.S. Government Obligations	228,070	-	-	228,070
Equity Securities	8,022,315	-	-	8,022,315
Debt Securities	3,669,919	-	-	3,669,919
Other Securities	-	607,357	-	607,357
	<u>\$ 12,708,112</u>	<u>\$ 3,420,955</u>	<u>\$ -</u>	<u>\$ 16,129,067</u>

Changes to reported investments measured at fair value using unobservable (Level 3) inputs for the year ended December 31, 2013 are as follows:

	<u>Consolidated Investment Fund</u>
Balance, December 31, 2012	\$ -
Contributions	3,004,506
Unrealized gains relating to instruments still held at the reporting date	279,119
Income	10,891
Fees	(7,544)
Balance, December 31, 2013	<u>\$ 3,286,972</u>

**UNITED JEWISH FEDERATION OF
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NOTE 6 – NET PROPERTY AND EQUIPMENT

Net property and equipment is comprised of the following:

	December 31	
	2013	2012
Building and improvements	\$2,174,138	\$2,174,138
Office equipment	242,815	217,271
Furniture and fixtures	238,429	238,429
	<u>2,655,382</u>	<u>2,629,838</u>
Less accumulated depreciation	874,160	750,373
	<u>\$ 1,781,222</u>	<u>\$ 1,879,465</u>

The Federation's Community Services Building, an office and community resource facility, was developed in 2007 and is the principal component of property and equipment. As more fully disclosed under Note 9, this facility was developed on land owned by Daughters of Sarah Foundation, Inc. and is subject to a long-term ground lease.

Depreciation expense approximated \$124,000 and \$120,000 for the years ended December 31, 2013 and 2012, respectively.

NOTE 7 – RETIREMENT PLAN

The Federation maintains a defined contribution retirement plan covering substantially all employees who complete one year of service and work in excess of 1,000 hours annually. The plan is non-contributory and requires a seven year vesting period in which the participant vests 20% each year beginning in year three of participation in the plan. The Federation contributed approximately \$102,000 and \$96,000 to the plan for the years ended December 31, 2013 and 2012, respectively.

NOTE 8 – DEFERRED GIVING ARRANGEMENTS

The Federation enters into deferred giving agreements with donors to accept and administer charitable gift annuities, charitable remainder trusts, charitable lead trusts and other split-interest arrangements, the beneficiaries of which include the Federation. The Federation manages and invests these assets on behalf of these beneficiaries until the agreement expires and the assets are distributed. In addition, the Federation is the beneficiary of other deferred giving arrangements that are held and administered by others. Certain of these other deferred giving arrangements are not quantifiable.

Split-interest agreements provide for payments to the donors or their beneficiaries based upon either the income earned on related investments or specified annuity amounts. Assets held under these arrangements, which approximated \$185,000 and \$186,000 at December 31, 2013 and 2012, respectively, have been recorded in accordance with the provisions of New York State's gift annuity statute. These gift annuity investments are reported as a component of investments in the accompanying Statements of Financial Position. Contribution revenue is recognized at the date the trust or annuity contract is established after recording liabilities for the present value of the estimated future payments expected to be made to the donors and/or other beneficiaries. The liabilities for these arrangements, which approximated \$1,000 and \$9,000 at December 31, 2013 and 2012, respectively, are adjusted annually for amortization of the discount and other changes in the estimates of future payments. Such liabilities are reported as a component of other liabilities in the accompanying Statements of Financial Position.

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NOTE 9 – COMMITMENTS AND CONTINGENCIES

Leases: The Federation’s Community Services Building was developed on land owned by Daughters of Sarah Foundation, Inc. (DoS) and is subject to a ground lease under which the Federation will pay DoS approximately \$25,000 annually (with future year escalations) over the 99 year term of the lease. The Federation follows provisions in ‘Accounting for Leases’ and records annual rent expense on a straight-line basis over the term of the lease, a computation which approximates \$72,000 each year. As a result, the Federation has recorded approximately \$231,000 and \$186,000 as deferred rent liability (a component of other liabilities on the Statements of Financial Position) as of December 31, 2013 and 2012, respectively.

At December 31, 2013, the future minimum lease obligation under the DoS land lease is comprised of the following:

<u>Year</u>	<u>Cash Payment</u>	<u>Lease Expense</u>
2014	\$ 27,245	\$ 71,873
2015	27,245	71,873
2016	27,245	71,873
2017	29,970	71,873
2018	29,970	71,873
Thereafter	6,773,056	6,324,794
	<u>\$ 6,914,731</u>	<u>\$ 6,684,159</u>

Endowment Funds: In September 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Act replaced and supplements previous New York law and applies to all endowment funds. The Act is applicable on a fund-by-fund basis, with provisions that specific written donor intentions may override some of the Act’s restrictions and restrict some institutional discretion.

NYPMIFA requires institutions to adopt written investment policies and for institutions to consider specific factors when making decisions on investments in endowments and other institutional funds. These factors include general economic conditions, possible effects of inflation and deflation, possible tax consequences of investments, effect of each investment on the overall investment portfolio, expected total return from income and appreciation from investments, needs of the Federation to make distributions while preserving capital and an asset’s special relationship or value to the Federation, if any. The Act also provides standards for the delegation of investment and management functions to outside professionals.

NYPMIFA follows the concept of balancing the desires of donors to both support an institution on a current basis while maintaining the purchasing power of an endowed fund for the benefit of future generations. For gift instruments executed on or after the effective date of NYPMIFA, the statute establishes a rebuttable presumption of imprudence where there is an appropriation for expenditure in any year of an amount greater than 7% of the fair market value of an endowment fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than five years immediately preceding the year in which the appropriation for expenditure is made.

The Federation has adopted the guidelines of NYPMIFA and calculates yearly expenditures using a sixteen quarter rolling average of its endowment fund and disburses 5% of the average. Along with a 1% management fee, the maximum disbursement is capped at 6%.

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NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

The following table presents the composition of Federation's endowment net assets, by type of fund:

	December 31, 2013		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 864,419	\$ 6,830,597	\$ 7,695,016
Contributions	-	115,190	115,190
Transfers from restricted donor advised funds	-	303,990	303,990
Investment income and net appreciation	1,019,250	-	1,019,250
Amounts appropriated for expenditure	(379,433)	-	(379,433)
Endowment net assets, end of year	<u>\$ 1,504,236</u>	<u>\$ 7,249,777</u>	<u>\$ 8,754,013</u>

	December 31, 2012		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 745,449	\$ 6,253,247	\$ 6,998,696
Contributions	-	471,572	471,572
Transfers from restricted donor advised funds	-	105,778	105,778
Investment income and net appreciation	455,221	-	455,221
Amounts appropriated for expenditure	(336,251)	-	(336,251)
Endowment net assets, end of year	<u>\$ 864,419</u>	<u>\$ 6,830,597</u>	<u>\$ 7,695,016</u>