

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

Bloomfield Hills, Michigan

May 31, 2010 and 2009

**COMBINED FINANCIAL STATEMENTS**

Including Independent Auditors' Report

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

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Governors of the  
Jewish Federation of Metropolitan Detroit and the  
Board of Directors of the United Jewish Foundation  
Bloomfield Hills, Michigan

We have audited the accompanying combined statements of financial position of the Jewish Federation of Metropolitan Detroit and United Jewish Foundation (Michigan non-for-profit organizations) as of May 31, 2010 and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These combined financial statements are the responsibility of the Jewish Federation of Metropolitan Detroit and United Jewish Foundation's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the organizations' 2009 combined financial statements and, in our report dated October 9, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organizations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Federation of Metropolitan Detroit and United Jewish Foundation as of May 31, 2010 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information listed in the table of contents is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, change in net assets, and cash flows of the individual funds. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

*Baker Tilly Virchow Krause, LLP*

Southfield, Michigan  
October 4, 2010

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

COMBINED STATEMENT OF FINANCIAL POSITION  
 May 31, 2010  
 (With Comparative Combined Totals as of May 31, 2009)

<b>ASSETS</b>				
	Jewish Federation of Metropolitan Detroit	United Jewish Foundation	2010 Combined	2009 Combined
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,023	862,415	\$ 869,438	\$ 854,371
Investments	5,732,550	299,541,100	305,273,650	288,016,915
Pledges and other receivables, net	29,421,423	39,923,911	69,345,334	78,522,351
Donated real estate and other interests held for investment	-	9,458,581	9,458,581	8,735,610
Advances and other assets	823,340	2,075,327	2,898,667	2,433,248
Property and equipment, net	211,913	70,436,022	70,647,935	70,206,308
<b>TOTAL ASSETS</b>	<b>\$ 36,196,249</b>	<b>\$ 422,297,356</b>	<b>\$ 458,493,605</b>	<b>\$ 448,768,803</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Appropriations payable				
General	\$ 549,877	\$ 3,530,876	\$ 4,080,753	\$ 7,670,348
Jewish Federations of North America and overseas	1,259,200	-	1,259,200	1,163,250
Trade accounts and other payables	2,308,827	988,290	3,297,117	1,987,932
Constituent agencies and other deposits	-	10,497,795	10,497,795	14,490,478
Bonds, notes and other payables	-	6,227,527	6,227,527	10,078,608
Charitable trust annuities payable	-	14,431,181	14,431,181	14,171,300
Other organizations payable	-	2,417,779	2,417,779	2,490,128
Contributions designated for future periods	-	1,768,105	1,768,105	1,796,860
<b>Total Liabilities</b>	<b>4,117,904</b>	<b>39,861,553</b>	<b>43,979,457</b>	<b>53,848,904</b>
<b>NET ASSETS</b>				
Unrestricted	32,078,345	199,141,702	231,220,047	223,684,850
Temporarily restricted	-	39,739,784	39,739,784	29,721,700
Permanently restricted	-	143,554,317	143,554,317	141,513,349
<b>Total Net Assets</b>	<b>32,078,345</b>	<b>382,435,803</b>	<b>414,514,148</b>	<b>394,919,899</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 36,196,249</b>	 <b>\$ 422,297,356</b>	 <b>\$ 458,493,605</b>	 <b>\$ 448,768,803</b>

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

COMBINED STATEMENT OF ACTIVITIES  
 Year Ended May 31, 2010  
 (With Comparative Combined Totals for the Year Ended May 31, 2009)

	Jewish Federation of Metropolitan Detroit		United Jewish Foundation		Eliminating Adjustments	2010 Combined		2009 Combined	
	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted		Total UJF			
<b>OPERATING REVENUE AND SUPPORT</b>									
Public support from contributions	\$ 34,321,522	\$ 20,514,346	\$ 6,051,535	\$ 1,710,215	\$ 28,276,096	\$ (9,969,829)	\$ 52,627,789	\$ 55,452,215	
Revenues									
Investment income (loss)	31,525	20,294,440	13,219,053	-	33,513,493		33,545,018	(70,895,777)	
(Including unrealized gains and losses)	(11,001)	-	-	-	-		(11,001)	(2,003,999)	
Loss on disposition of assets	4,910,072	1,810,000	530,872	-	2,340,872	(7,250,944)	-	-	
Interorganization appropriations	1,922,532	4,866,008	125,927	354,217	5,336,152	(335,000)	6,923,684	5,029,889	
Other operating income	-	11,171,913	(11,170,663)	(1,250)	-	-	-	-	
Net assets released from restrictions	6,853,128	38,132,361	2,705,189	352,967	41,190,517	(7,585,944)	40,457,701	(67,869,887)	
Total Revenues	41,174,650	58,646,707	8,756,724	2,063,182	69,466,613	(17,555,773)	93,085,490	(12,417,672)	
Total Operating Revenue and Support									
<b>OPERATING EXPENSES</b>									
Program Services									
Distributions									
Federation's annual campaign	-	9,969,829	-	-	9,969,829	(9,969,829)	-	-	
Jewish Federations of North America and overseas	10,843,330	-	-	-	-	-	10,843,330	16,776,879	
Local agencies	20,157,904	10,563,343	-	-	10,563,343	(7,250,944)	23,470,303	25,634,121	
Other charitable organizations	1,599,175	17,450,361	-	-	17,450,361	-	19,049,536	21,648,299	
Other	6,575,654	5,759,537	-	-	5,759,537	-	12,335,191	13,732,777	
Total Program Services	39,176,063	43,743,070	-	-	43,743,070	(17,220,773)	65,698,360	77,792,076	
Supporting Services									
Administrative	3,207,756	332,212	-	-	332,212	(335,000)	3,204,968	3,301,802	
Financial resource development	3,165,931	-	-	-	-	-	3,165,931	3,415,786	
Bad debt expense	1,150,409	176,500	-	-	176,500	-	1,326,909	1,703,627	
Other	77,439	17,634	-	-	17,634	-	95,073	579,039	
Total Supporting Services	7,601,535	526,346	-	-	526,346	(335,000)	7,792,881	9,000,254	
Total Operating Expenses	46,777,598	44,269,416	-	-	44,269,416	(17,555,773)	73,491,241	86,792,330	
Transfer of funds	-	(1,239,146)	1,261,360	(22,214)	-	-	-	-	
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(5,602,948)	13,138,145	10,018,084	2,040,968	25,197,197	-	19,594,249	(99,210,002)	
NET ASSETS - Beginning of Year	37,681,293	186,003,557	29,721,700	141,513,349	357,238,606	-	394,919,899	494,129,901	
<b>NET ASSETS - END OF YEAR</b>	\$ 32,078,345	\$ 199,141,702	\$ 39,739,784	\$ 143,554,317	\$ 382,435,803	\$ -	\$ 414,514,148	\$ 394,919,899	

See accompanying notes to combined financial statements.

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

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended May 31, 2010

(With Comparative Combined Totals for the Year Ended May 31, 2009)

	Jewish Federation of Metropolitan Detroit			United Jewish Foundation			Eliminating Adjustments	2010 Combined	2009 Combined
	Direct Programs	Administrative Services	Financial Resource Development	Direct Programs	Administrative Services				
<b>DISTRIBUTIONS</b>									
Federation's annual campaign	\$ -	\$ -	\$ -	\$ 9,969,829	\$ -	\$ -	\$ (9,969,829)	\$ -	\$ -
Jewish Federations of North America and overseas	10,843,330	-	-	-	-	-	-	10,843,330	16,776,879
Local agencies	20,157,904	-	-	10,563,343	-	-	(7,250,944)	23,470,303	25,634,121
Other charitable organizations	1,599,175	-	-	17,450,361	-	-	-	19,049,536	21,648,299
<b>Total Distributions</b>	<b>32,600,409</b>	<b>-</b>	<b>-</b>	<b>37,983,533</b>	<b>-</b>	<b>-</b>	<b>(17,220,773)</b>	<b>53,363,169</b>	<b>64,059,299</b>
<b>OTHER EXPENSES</b>									
Other program services	613,227	-	-	1,299,367	-	-	-	1,912,594	-
Salaries and wages	3,060,477	1,766,832	2,172,677	-	-	-	-	6,999,986	7,496,430
Employee benefits	395,377	391,697	236,254	-	-	-	-	1,023,328	969,494
Other personnel	457,672	436,692	264,682	-	-	-	-	1,159,046	919,736
Rent and building costs	90,451	156,811	87,738	591,486	24,350	-	(335,000)	615,836	661,463
Professional services	303,855	75,666	-	-	124,818	-	-	504,339	575,774
Community events and programs	706,124	9,594	82,569	-	-	-	-	798,307	940,114
Missions	593,120	-	-	-	-	-	-	593,120	3,291,873
Marketing	55,163	5,375	56,460	-	-	-	-	116,998	282,992
Professional development and donor cultivation	60,326	36,297	40,093	-	-	-	-	136,716	159,009
Interest and bank fees	13,579	-	96,810	143,954	53,006	-	-	307,349	378,259
Postage	25,325	38,973	23,507	-	-	-	-	87,805	124,349
Office expense	26,935	33,566	16,562	-	-	-	-	77,063	114,335
Property expenses	-	-	-	127,128	27,727	-	-	154,855	274,887
Equipment repairs and maintenance	40,800	150,291	31,681	-	-	-	-	222,772	142,724
Information technology support	38,341	60,599	36,550	-	-	-	-	135,490	117,279
Telephone	33,403	33,703	-	-	-	-	-	67,106	81,183
Insurance	-	11,660	20,328	-	52,346	-	-	84,334	87,621
Other	-	-	-	-	40,063	-	-	40,063	198,332
<b>Total Other Expenses Before Depreciation, Bad Debt and Taxes</b>	<b>6,514,175</b>	<b>3,207,756</b>	<b>3,165,931</b>	<b>2,161,935</b>	<b>322,310</b>	<b>-</b>	<b>(335,000)</b>	<b>15,037,107</b>	<b>16,815,854</b>
Depreciation	61,479	48,621	28,818	3,597,602	17,634	-	-	3,754,154	3,727,922
Bad debt expense	-	-	1,150,409	-	176,500	-	-	1,326,909	1,703,627
Unrelated business income tax	-	-	-	-	9,902	-	-	9,902	485,628
<b>TOTAL EXPENSES</b>	<b>\$ 39,176,063</b>	<b>\$ 3,256,377</b>	<b>\$ 4,345,158</b>	<b>\$ 43,743,070</b>	<b>\$ 526,346</b>	<b>\$ (17,555,773)</b>	<b>\$ 73,491,241</b>	<b>\$ 86,792,330</b>	<b>\$ 86,792,330</b>

See accompanying notes to combined financial statements.

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

**COMBINED STATEMENT OF CASH FLOWS**  
Years Ended May 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 19,594,248	\$ (99,210,002)
Adjustments to reconcile increase in net assets to net cash flows from operating activities		
Depreciation	3,754,154	3,727,922
Bad debt expense	1,326,909	1,703,627
Bond amortization cost	9,486	11,704
Change in value of liability for charitable trust annuities	2,228,374	(1,259,058)
Net unrealized (gain) loss on investments	(28,439,630)	78,615,396
Net realized (gain) loss on investments	(3,420,780)	11,345,207
Loss on disposals of donated real estate and other interests and property and equipment	11,001	2,003,999
Partnership and other investment (income) loss	(221,029)	435,668
Contributions and investment income restricted for permanent investment	(1,710,215)	(2,858,617)
Contribution of donated real estate and other interests held for investment	(501,942)	(196,942)
Net contribution of property and equipment	-	(477,231)
Increase (decrease) in assets and liabilities		
Pledges and other receivables	7,850,108	(4,352,929)
Advances and other assets	(474,905)	1,589,175
Appropriations payable, trade accounts and other payables	(2,184,460)	(2,867,060)
Constituent agencies and other deposits	(3,992,683)	(9,100,214)
Other organizations payable	(72,349)	(1,279,246)
Contributions designated for future periods	(28,755)	(774,760)
Net Cash Flows from Operating Activities	<u>(6,272,468)</u>	<u>(22,943,361)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of donated real estate and other interests held for investment	-	724,000
Net proceeds from sales of investments	14,603,676	24,311,209
Purchases of property and equipment	(4,206,782)	(1,903,255)
Net Cash Flows from Investing Activities	<u>10,396,894</u>	<u>23,131,954</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions and investment income restricted for permanent investment	1,710,215	2,858,617
Proceeds from bonds and notes payable	5,700,000	627,250
Payments on charitable trust annuities	(1,968,493)	(2,319,746)
Payments on bonds and notes payable	(9,551,081)	(1,582,053)
Net Cash Flows from Financing Activities	<u>(4,109,359)</u>	<u>(415,932)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	15,067	(227,339)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>854,371</u>	<u>1,081,710</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 869,438</u>	<u>\$ 854,371</u>
Supplemental cash flow disclosures		
Cash paid for interest	\$ 276,209	\$ 438,300
Cash paid for income taxes	<u>\$ 27,811</u>	<u>\$ 428,077</u>

See accompanying notes to combined financial statements.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
May 31, 2010 and 2009

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**NOTE 1 – Organization**

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*Organization*

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

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**NOTE 2 – Summary of Significant Accounting Policies**

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*Basis of Accounting*

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

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

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

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

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

*Cash and Cash Equivalents*

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



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

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
May 31, 2010 and 2009

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**NOTE 2 – Summary of Significant Accounting Policies (cont.)**

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*Contributions*

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

Unrestricted net assets of UJF include various support foundations and philanthropic funds. Support foundations are governed by individual Boards of Directors (“the Boards”). However, the support foundations are included in the financial statements because of their shared purpose with UJF, and because UJF manages the foundations’ operations and has majority control of the Boards. These foundations have total assets of approximately \$79,000,000 and \$74,000,000 as of May 31, 2010 and 2009, respectively. Philanthropic funds have total assets of approximately \$59,000,000 at May 31, 2010 and 2009.

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

*Constituent Agency Deposits*

Deposits from constituent agencies and other organizations are reported in the UJF portfolio at fair value on the statement of financial position. Changes in the fair value of these deposits are reflected as a change in the corresponding liability on the statement of financial position. These transactions are not included in the statement of activities and changes in net assets.

*Investments*

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009

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**NOTE 2 – Summary of Significant Accounting Policies (cont.)**

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

The JFMD and UJF invest in various investment funds ("Funds"), with private investment managers who manage investment partnerships, managed accounts, commodity funds, hedge funds, and private equity funds, which employ diversified styles and strategies. The goal of these investments is to generate a positive relative long-term return, with less risk than the equity market. The net asset value of these investments is calculated by the private investment manager based on prices and valuations supplied to it by the underlying investment or money manager, or similar financial data provider. Market values as of May 31, 2010 and 2009 are based on monthly valuations provided by the managers of the funds. Management, in coordination with the UJF investment committee and the investment consultant, obtains and considers the audited financial statements performed by nationally recognized accounting firms of such investments when evaluating the overall reasonableness of carrying value. Because of the inherent uncertainty of valuations, values may differ materially from values had a ready market existed.

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

*Pledges Receivable*

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

Unconditional promises to give that are expected to be collected in future years are recorded as pledges receivable in the year promised at the present value of expected future cash flows, net of an allowance for uncollectible amounts which approximates fair value. The present value of such amounts is computed using risk-free interest rates applicable to the years in which the promises are received and commensurate with the expected payment dates.

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009

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**NOTE 2 – Summary of Significant Accounting Policies (cont.)**

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*Donated Real Estate and Other Interests Held for Investment*

Donated real estate and other interests held for investment consist of donated real estate or interests in real estate, carried at approximately \$2,900,000, and donated interests in partnerships and trusts carried at approximately \$3,500,000. The assets are recorded at their estimated fair values at the date of donation, as determined by independent appraisals. Subsequent to initial acquisition, donated interests in partnerships and trusts are accounted for under the cost or equity method, depending on the ownership level.

Also included in donated real estate and other interests held for investments are single premium annuity contracts related to life insurance policies on the respective donor's life, carried at approximately \$3,100,000. The organizations record these transactions in accordance with generally accepted accounting principles for deposit accounting. The organizations will ultimately receive, at a minimum, the original amount invested, plus interest, via annuity payments and death benefits. Since there is no transfer of risk associated with the life insurance policies, the related annuity and life insurance investments are accounted for as deposit transactions. Life insurance premium payments are recorded in a deposit account and are offset by the return of principal portion of the annuity payments.

*Advances and Other Assets*

Included in advances and other assets are the cash surrender value of donated life insurance policies where UJF has been named as the beneficiary, and other assets (prepaids, deposits, etc.).

*Property and Equipment*

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

Property and equipment includes land, buildings and other property used by the organizations and their constituent agencies. Communal properties are generally used without charge by independently governed constituent agencies. The organizations have not attempted to quantify the fair value of such use but believes the impact to the combined financial statements would be immaterial.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009**

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**NOTE 2 – Summary of Significant Accounting Policies (cont.)**

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*Impairment of Long-Lived Assets*

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

*Appropriations Payable*

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

*Charitable Trust Annuities Payable*

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

The organizations have recorded the estimated fair value of the investments associated with irrevocable split-interest agreements and an estimated liability, using various discount rates for the net present value of the future cash outflows to beneficiaries. For the years ended May 31, 2010 and 2009, the Statement of Activities included a decrease to other income (loss) for changes in the estimated liability for split-interest agreements of \$918,425 and \$2,450,234, respectively, and investment income (loss) included in investment income (loss) of \$1,989,629 and \$(4,484,021), respectively. Net assets in these trusts, included in investments, amounted to \$3,158,014 and \$2,803,796 at May 31, 2010 and 2009, respectively. Assets held in split interest agreements at May 31, 2010 and 2009 totaled \$15,300,109 and \$14,490,673, respectively.

**JEWISH FEDERATION OF METROPOLITAN DETROIT  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**  
May 31, 2010 and 2009

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**NOTE 2 – Summary of Significant Accounting Policies (cont.)**

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*Contributions Designated for Future Periods*

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

*Fair Value Measurements*

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

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

*Revenue Recognition*

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

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

*Allocation of Expenses*

The organizations adhere to generally accepted accounting principles in reporting expenses according to their functional classifications. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Risks and Uncertainties*

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

**JEWISH FEDERATION OF METROPOLITAN DETROIT  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**  
May 31, 2010 and 2009

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**NOTE 2 – Summary of Significant Accounting Policies (cont.)**

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*Tax-Exempt Status*

The organizations are Michigan nonprofit corporations under Section 509(a)(3) of the Internal Revenue code that has been granted an exemption from the payment of income taxes under Section 503(c)(3) and has been determined to be other than private foundations. The organization's management believes that the organizations continue to operate in a manner that preserves its tax exempt status.

On January 1, 2009, the organizations adopted a standard relating to the accounting for uncertainty in income taxes. The tax effects from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The organizations recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would be more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. At the adoption date, the organizations applied the new accounting standard to all tax positions for which the statute of limitations remained open. The organizations did not make any adjustment to opening net assets as a result of the implementation of the new accounting standard.

Based on its evaluation, the organizations have concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The organization is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for the years before 2007.

*Use of Estimates*

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

*Prior Year Financial Information*

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organizations' financial statements for the year ended May 31, 2009, from which the summarized information was derived.

*Subsequent Events*

The organizations have evaluated subsequent events through October 4, 2010, which is the date that the financial statements were approved and available to be issued.

**JEWISH FEDERATION OF METROPOLITAN DETROIT  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 3 – Fair Value Measurements**

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

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

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

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

The organizations hold as an investment various equity and fixed income investments that are publicly traded securities. Fair values are based on quoted prices and are classified as level 1. The portfolio of alternative investments and private equity investments are not publicly traded. Fair values are based on unobservable inputs and are classified as level 3.

The estimated carrying and fair values of the organizations' financial instruments are as follows:

	2010		2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Investments	\$ 305,273,650	\$ 305,273,650	\$ 288,016,915	\$ 288,016,915
Financial liabilities:				
Debt	\$ (6,227,527)	\$ (6,227,527)	\$ (10,078,608)	\$ (10,078,608)

**JEWISH FEDERATION OF METROPOLITAN DETROIT  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**NOTE 3 – Fair Value Measurements (cont.)**

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

	May 31, 2010			
	Total	Level 1	Level 2	Level 3
<b>Pooled Income Portfolio:</b>				
Money market	\$ 26,772,092	\$ 26,772,092	\$ -	\$ -
Government securities	41,033,192	41,033,192	-	-
Corporate debt securities	36,578,686	36,578,686	-	-
Equity securities	75,580,058	75,580,058	-	-
Commodities	3,409,261	3,409,261	-	-
Hedge fund of funds	17,227,040	-	-	17,227,040
Direct hedge funds	22,197,502	-	-	22,197,502
Global asset allocation	50,347,722	27,843,343	-	22,504,379
Private equity	10,250,209	-	-	10,250,209
Bond fund limited partnerships	5,444,629	-	-	5,444,629
<b>Total Pooled Income Portfolio</b>	<b>288,840,391</b>	<b>211,216,632</b>	<b>-</b>	<b>77,623,759</b>
<b>Other:</b>				
Israel bonds	1,246,564	1,246,564	-	-
Certificates of deposit	1,336,403	1,336,403	-	-
Equity securities	13,850,292	13,783,119	-	67,173
<b>Total Other Investments</b>	<b>16,433,259</b>	<b>16,366,086</b>	<b>-</b>	<b>67,173</b>
<b>Total Investments</b>	<b>\$ 305,273,650</b>	<b>\$ 227,582,718</b>	<b>\$ -</b>	<b>\$ 77,690,932</b>



**JEWISH FEDERATION OF METROPOLITAN DETROIT  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**  
May 31, 2010 and 2009

**NOTE 3 – Fair Value Measurements (cont.)**

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

	May 31, 2009			
	Total	Level 1	Level 2	Level 3
<b>Pooled Income Portfolio:</b>				
Money market	\$ 33,629,153	\$ 33,629,153	\$ -	\$ -
Government securities	20,131,471	20,131,471	-	-
Corporate debt securities	37,488,745	37,488,745	-	-
Equity securities	63,532,281	63,532,281	-	-
Commodities	2,788,864	2,788,864	-	-
Hedge fund of funds	29,438,282	-	-	29,438,282
Direct hedge funds	17,172,288	-	-	17,172,288
Global asset allocation	60,264,411	2,617,815	-	57,646,596
Private equity	5,916,686	-	-	5,916,686
<b>Total Pooled Income Portfolio</b>	<b>270,362,181</b>	<b>160,188,329</b>	<b>-</b>	<b>110,173,852</b>
<b>Other:</b>				
Israel bonds	2,285,256	2,285,256	-	-
Certificates of deposit	1,625,838	1,625,838	-	-
Equity securities	13,743,640	13,454,831	-	288,809
<b>Total Other Investments</b>	<b>17,654,734</b>	<b>17,365,925</b>	<b>-</b>	<b>288,809</b>
<b>Total Investments</b>	<b>\$ 288,016,915</b>	<b>\$ 177,554,254</b>	<b>\$ -</b>	<b>\$ 110,462,661</b>

**JEWISH FEDERATION OF METROPOLITAN DETROIT  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009

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**NOTE 3 – Fair Value Measurements (cont.)**

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The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	Alternative Investments
Balance at June 1, 2009	\$ 110,462,661
Net realized and unrealized gains included in the change in net assets	14,230,482
Purchases, sales, issuances and settlements, net	20,665,610
Transfers in (out) of level 3	(67,667,821)
Balances at May 31, 2010	<u>\$ 77,690,932</u>
Net unrealized gains/(losses) included in change in net assets relating to assets still held at May 31, 2010	<u>\$ 977,192</u>
	Alternative Investments
Balance at June 1, 2008	\$ 142,832,440
Net realized and unrealized gains included in the change in net assets	(41,602,382)
Purchases, sales, issuances and settlements, net	42,697,613
Transfers in (out) of level 3	(33,465,010)
Balances at May 31, 2009	<u>\$ 110,462,661</u>
Net unrealized gains/(losses) included in change in net assets relating to assets still held at May 31, 2009	<u>\$ (31,522,045)</u>

Investments represent both shares of commonly traded mutual funds, stocks and bonds for which an active and liquid market exists, and investments in partnerships, hedge funds and private equity funds which are not publicly traded and are valued at net asset valuation (NAV) as determined by the investment managers, however, transparency is not provided into these funds and the assets on which NAV is based. This results in significant inputs which are unobservable.

**JEWISH FEDERATION OF METROPOLITAN DETROIT  
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**NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009**

**NOTE 3 – Fair Value Measurements (cont.)**

Investment Type	Investment Objective	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Fund of Funds	Invest in a diversified set of hedge fund managers to produce equity-like returns, but with reduced volatility. Underlying hedge fund manager strategies include directional equity (i.e., long/short equity) and non-directional strategies (i.e., market neutral, multi-strategy, arbitrage, relative value and event driven.	None	Annually	90 days
Global Asset Allocation Funds	Allocate assets across the full range of asset classes, including fixed income, equities and commodities to create a diversified portfolio that adds value primarily through tactical asset allocation decisions. Underlying investments may include mutual funds, hedge funds, derivatives and individual securities.	None	Monthly	14 days
Direct Hedge Funds	Invest directly in debt, equity and derivative securities to produce equity-like returns, but with reduced volatility. Strategies employed include long/short equity, multi-strategy, arbitrage, relative value and event drive. Beta exposure to markets will vary based on the degree of hedging utilized by the managers.	None	Quarterly	45-60 days
Private Equity	Invest directly in securities of companies that are generally not actively traded at the time of investment, securities that are perceived to be trading at distressed levels (many of which are illiquid), or a basket of private equity funds that invest in said securities. Additionally, make acquisitions of private equity limited partnership interests and direct investment portfolios with a focus of acquiring these interests at a significant discount. Investments may be in US or foreign markets, and returns are expected to be higher than those that can be achieved in equity markets, albeit with higher expected volatility.	\$ 2,971,760	N/A	N/A
Bond Fund LPs	Invest in distressed and/or discounted, but liquid, debt securities including investment grade corporate bonds, high yield corporate bonds and bank loans in order to add value above the return of the broad U.S. bond market.	None	N/A	N/A

**JEWISH FEDERATION OF METROPOLITAN DETROIT  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**  
May 31, 2010 and 2009

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**NOTE 4 – Investments**

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Investment income includes realized gains/(losses) of \$3,420,780 and (\$11,345,207), unrealized gains/(losses) of \$28,439,631 and (\$78,615,396), and interest and dividends of \$7,329,712 and \$14,110,824 (net of approximately \$854,000 and \$1,851,000 in fees), in each case for the years ended May 31, 2010 and 2009, respectively. Investment income in the organizations' statement of activities and changes in net assets is presented net of investment income earned on amounts held for constituent agencies and other deposits, charitable trust annuities payable and other organizations payable.

**JEWISH FEDERATION OF METROPOLITAN DETROIT  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 5 – Pledges and Other Receivables**

The composition of JFMD's pledges and other receivables at May 31 is summarized below as follows:

	2010		2009	
	Gross Pledges Receivables	Allowance for Uncollectible Amounts	Net Receivables	Net Receivables
Pledges outstanding				
Federation's annual campaign	\$ 33,885,840	\$ 5,979,526	\$ 27,906,314	\$ 33,646,556
JFMD programming	308,401	26,114	282,287	303,303
Overseas programming	24,500	24,500	-	-
Grant programming	1,000	1,000	-	-
	<u>34,219,741</u>	<u>6,031,140</u>	<u>28,188,601</u>	<u>33,949,859</u>
Other receivables	<u>1,345,291</u>	<u>112,469</u>	<u>1,232,822</u>	<u>792,986</u>
Total Pledges and Other Receivables	<u>\$ 35,565,032</u>	<u>\$ 6,143,609</u>	<u>\$ 29,421,423</u>	<u>\$ 34,742,845</u>

Management expects that substantially all JFMD's pledges and other receivables will be received within the next fiscal year.

The composition of UJF's pledges and other receivables at May 31 is summarized as follows:

	2010	2009
Pledges outstanding	\$ 15,474,388	\$ 16,609,755
Less:		
Allowance for uncollectible amounts	(1,674,166)	(1,548,851)
Unamortized discount	(218,129)	(414,273)
	<u>13,582,093</u>	<u>14,646,631</u>
Notes and other receivables	24,388,991	26,539,558
Advances to constituent agencies	3,001,004	3,710,704
	<u>27,389,995</u>	<u>30,250,262</u>
Less:		
Allowance for uncollectible amounts	(1,048,177)	(1,117,387)
	<u>26,341,818</u>	<u>29,132,875</u>
Total Pledges and Other Receivables	<u>\$ 39,923,911</u>	<u>\$ 43,779,506</u>

Pledges receivable were discounted at rates ranging from 0.76% to 5.06% at May 31, 2010 and 2009.

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009

**NOTE 5 – Pledges and Other Receivables (cont.)**

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

	2010	2009
Millennium campaign		
Jewish Life Fund	\$ 2,175,000	\$ 2,512,100
Jewish Community Center	1,484,638	1,594,938
Berman Center for the Performing Arts	4,711,911	250,000
Jean and Samuel Frankel Jewish Academy of Metropolitan Detroit	1,177,329	2,223,532
Jewish Education Trust	1,010,000	1,170,000
Jewish Family Service	942,500	960,200
Jewish Women's Foundation	758,962	682,806
Jewish Foundation for the Elderly	630,000	810,000
Darchei Torah Zekelman Girls School	546,489	3,746,285
JVS	365,860	381,832
Nancy & James Grosfeld Social Impact Fund	325,000	450,000
Jewish Community Center Teen Center	320,000	480,000
BBYO Student Conference Center	289,030	437,090
Jewish Community Center	191,350	4,913
Jewish Senior Life	176,002	231,535
University of Michigan Hillel	80,300	144,600
Michigan State University Hillel	70,000	155,000
Becker YAD All Star Mission	60,000	-
Blumberg Fund Youth in Travel	50,000	70,000
Fresh Air Society	31,667	41,667
Alan & Sue Kaufman Family Sports Program	30,000	-
Alliance for Jewish Education	26,000	36,000
Darchei Torah Boys School	10,000	10,000
Bar Ilan University	5,000	10,000
Akiva Hebrew Day School	2,850	9,590
Friends of BBYO	2,000	26,000
Leonard M. Simons - Archives	1,500	4,000
Community Level Jewish Life Fund	1,000	1,000
Small Michigan Jewish Communities Initiative	-	166,667
Total Pledges Receivable	\$ 15,474,388	\$ 16,609,755

Payments on UJF pledges receivable at May 31, 2010 are expected to be received as follows:

Within one year	\$ 9,506,964
Between one and five years	4,410,324
More than five years	1,557,100
Total	\$ 15,474,388

**JEWISH FEDERATION OF METROPOLITAN DETROIT  
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**NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009**

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**NOTE 6 – Property and Equipment – JFMD and UJF**

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Property and equipment consist of the following at May 31:

	<u>2010</u>	<u>2009</u>
Land	\$ 7,593,372	\$ 7,593,372
Buildings	107,150,627	106,720,625
Furniture and equipment	3,372,935	3,371,455
Construction in progress	4,426,651	815,420
Total	<u>122,543,585</u>	<u>118,500,872</u>
Accumulated depreciation	<u>(51,895,650)</u>	<u>(48,294,564)</u>
Net Property and Equipment	<u>\$ 70,647,935</u>	<u>\$ 70,206,308</u>

**JEWISH FEDERATION OF METROPOLITAN DETROIT  
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**NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 6 – Property and Equipment – JFMD and UJF (cont.)**

The majority of land and buildings represent communal properties and consist of the following at May 31, 2010:

	Land	Buildings	Total
United Jewish Foundation			
Max M. Fisher Federation Building	\$ 900,000	\$ 7,639,393	\$ 8,539,393
Fresh Air Society – Camp Tamarack			
Ortonville	225,215	5,170,135	5,395,350
Grange Hall Road	247,207	-	247,207
Mesick	5,185	2,777	7,962
Mio	5,000	2,835	7,835
Kennedy	129,782	49,868	179,650
Wawa	6,750	11,942	18,692
Jewish Community Center			
Applebaum Campus site	2,412,155	45,879,832	48,291,987
Taubman Campus site	46,378	6,316,648	6,363,026
Jewish Family Service	1,537,176	6,944,131	8,481,307
Jean and Samuel Frankel Jewish Academy of Metropolitan Detroit	-	7,355,437	7,355,437
Akiva Hebrew Day School	250,000	4,248,320	4,498,320
B'nai Brith Youth Organization	-	1,120,071	1,120,071
Jewish Senior Life			
Fleischman Residence	-	5,437,974	5,437,974
Epicenter	-	1,298,200	1,298,200
Brown Adult Day Care Center	-	1,369,521	1,369,521
Brown Memory Care Pavilion	-	1,298,297	1,298,297
JVS - Workshop – Woodward and Canfield	245,916	1,150,299	1,396,215
Yeshivas Darchei Torah	340,147	2,671,690	3,011,837
University of Michigan Hillel	-	3,266,174	3,266,174
Michigan State University Hillel	65,555	2,216,439	2,281,994
Eastern Michigan University Hillel	-	152,035	152,035
Yeshiva Beth Yehudah	121,500	2,081,071	2,202,571
Yeshiva Beth Yehudah Preschool	165,000	1,367,538	1,532,538
31840 West Seven Mile, Livonia	39,647	100,000	139,647
121 & 118 W. Lafayette, Detroit	120,000	-	120,000
6866 W. Maple, West Bloomfield	175,759	-	175,759
14450 Ten Mile Road, Oak Park	555,000	-	555,000
	<u>7,593,372</u>	<u>107,150,627</u>	<u>114,743,999</u>
Accumulated depreciation	-	49,212,768	49,212,768
Total Land and Buildings	<u>\$ 7,593,372</u>	<u>\$ 57,937,859</u>	<u>\$ 65,531,231</u>



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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009**

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**NOTE 7 – Financing Arrangements**

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At May 31, 2010 and 2009, UJF has bonds payable outstanding of \$400,000 and \$600,000, respectively, which consist of Michigan Strategic Fund Multi-mode Limited Obligation Revenue Bonds, bearing fixed interest at 5.75% per annum. The bonds are payable in annual increments of \$200,000 through 2012. Collateral for the bonds consists of a letter of credit issued by a local lender and a mortgage interest in the Max M. Fisher Federation Building.

At May 31, 2010 and 2009, UJF has an unsecured note payable outstanding of \$0 and \$545,807, respectively, for the construction of the Yeshiva Beth Yehudah Preschool property. The loan matured on March 15, 2010.

At May 31, 2010 and 2009, UJF also has an unsecured note payable outstanding of \$1,463,889 and \$1,733,750, respectively, related to the purchase of the Akiva Hebrew Day School Building. The note bears interest at 225 basis points over LIBOR with monthly principal and interest payments due over a term of 36 months with the final payment due in December 2012.

At May 31, 2010 and 2009, UJF also has an unsecured note payable outstanding of \$97,607 and \$165,860, respectively, related to the HVAC system at the Max M. Fisher Federation Building. The note bears interest at 6.91% per annum with monthly principal and interest payments of \$6,476. The loan matures in August 2011.

At May 31, 2010 and 2009, UJF also has an unsecured note payable outstanding of \$325,000 and \$350,000, respectively, related to the purchase of land at 14450 Ten Mile Road, Oak Park. The note is non-interest bearing with annual payments of \$25,000. The loan matures in February 2023.

At May 31, 2010 and 2009, UJF also has bonds payable outstanding of \$1,872,616 and \$2,052,672, respectively, which consist of Banc of America Public Capital Corp limited obligation revenue notes, bearing interest at a fixed rate of 4.45% per annum. The bonds are callable at any time and mature July 1, 2023. The proceeds from the bond issuance were used to finance an HVAC system at the Jewish Community Center.

The organizations have a \$10 million dollar unsecured line of credit agreement with a bank. Interest is charged on outstanding borrowings at a specified interest rate based on LIBOR. There were no outstanding balances pursuant to this agreement as of May 31, 2010. This agreement has a scheduled maturity date of August 30, 2011.

The terms of certain notes payable and lines of credit include cross-default provisions and require the organizations to comply with certain covenants, the most restrictive of which is the maintenance of certain levels of unrestricted net assets. The organizations were in compliance with all covenants.

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009

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**NOTE 7 – Financing Arrangements (cont.)**

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UJF has recorded the obligation for building and construction loans on behalf of constituent agencies since the related assets are recorded on UJF's books. At May 31, 2010, UJF has outstanding balances for the following organizations:

	<u>2010</u>	<u>2009</u>
Jean and Samuel Frankel		
Jewish Academy of Metropolitan Detroit	\$ 1,350,000	\$ 1,850,000
Jewish Community Center	418,167	2,127,250
Jewish Senior Life	144,655	327,863
B'nai B'rith Youth Organization	145,286	305,258
Yeshiva Darchei Torah	10,308	20,147
Total	<u>\$ 2,068,416</u>	<u>\$ 4,630,518</u>

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

May 31, 2011	\$ 2,737,541
May 31, 2012	816,015
May 31, 2013	355,555
May 31, 2014	25,000
May 31, 2015	25,000
Thereafter	200,000
Total Bonds and Notes Payable	<u>4,159,111</u>
Amounts owed to banks on behalf of constituent agencies (See above)	<u>2,068,416</u>
Total Bonds, Notes and Other Payables	<u>\$ 6,227,527</u>

**JEWISH FEDERATION OF METROPOLITAN DETROIT  
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**NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009**

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**NOTE 8 – Pension Costs**

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The organizations participate with certain constituent agencies in two qualified multi-employer defined benefit pension plans covering substantially all employees. Participants in the plans become 100% vested after five years of service. Pension costs are accrued currently and represent the current year normal costs, as determined by the aggregate cost method. The organizations recognized pension expense of \$530,938 and \$377,054 for the years ended May 31, 2010 and 2009, respectively.

Accumulated plan benefits and net assets for the non-union employee plan for the organizations and participating constituent agencies, as determined by the actuaries, as of January 1, 2010, the most recent valuation date, are as follows:

Actuarial Present Value of Accumulated Plan Benefits	
Vested	\$ 19,912,134
Non-vested	949,042
Total	<u>\$ 20,861,176</u>
Net Assets Available for Plan Benefits	<u>\$ 16,598,930</u>

The non-union plan was amended effective January 1, 2010 to freeze benefit accruals for grandfathered participants under the final-average pay formula, and to base future accruals on the cash balance formula. The change will reduce plan liabilities by \$1,606,794.

Accumulated plan benefits and net assets for the union employee plan for the organizations and participating constituent agencies, as determined by the actuaries, as of January 1, 2010, the most recent valuation date, are as follows:

Actuarial Present Value of Accumulated Plan Benefits	
Vested	\$ 1,512,722
Non-vested	6,888
Total	<u>\$ 1,519,610</u>
Net Assets Available for Plan Benefits	<u>\$ 560,930</u>

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**NOTE 9 – Transactions with Affiliates**

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The Federation and The Jewish Fund have entered into a management agreement whereby the Federation provides administrative support to the Fund for an agreed upon fee. Such fees were \$215,000 and \$211,666 for the fiscal years ended May 31, 2010 and 2009, respectively.

Grants received from The Jewish Fund by the Federation were \$1,489,417 and \$1,055,000 and indirect grant expenses paid to other affiliated entities were approximately \$23.5 million and \$25.6 million for the fiscal years ended May 31, 2010 and 2009, respectively.

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009

**NOTE 9 – Transactions with Affiliates (cont.)**

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

	2010	2009
Appropriations payable	\$ 549,877	\$ 395,353
Constituent agency deposits	7,106,314	8,576,160
Total	\$ 7,656,191	\$ 8,971,513

**NOTE 10 – Endowment Funds**

The organizations have adopted recently enacted accounting standards which provide a framework for classifying net assets with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the framework is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component is a requirement for expanded disclosures about all endowment funds.

The State of Michigan adopted a version of UPMIFA effective September 10, 2009. The organizations do not believe the enactment of UPMIFA by the State of Michigan will have a significant effect on the operations or financial reporting of the organizations.

The organizations' endowment consists of 901 individual funds established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the organizations' board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The organizations classify as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009

**NOTE 10 – Endowment Funds (cont.)**

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

Endowment net asset composition as of May 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ (13,300,812)	\$ 17,842,540	\$143,554,317	\$ 148,096,045

Endowment net asset composition as of May 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ (17,992,627)	\$ 15,099,419	\$141,513,349	\$ 138,620,141

Changes in endowment net assets for the year ended May 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (17,992,627)	\$ 15,099,419	\$141,513,349	\$ 138,620,141
Income from investments	-	15,522,972	-	15,522,972
Contributions	-	172,714	1,710,215	1,882,929
Appropriation of endowment assets for expenditures	-	(8,621,625)	(1,250)	(8,622,875)
Other Income (loss)	-	207,781	354,217	561,998
Transfers of net assets	-	153,094	(22,214)	130,880
Reclassification of income	4,691,815	(4,691,815)	-	-
Endowment net assets, end of year	\$ (13,300,812)	\$ 17,842,540	\$143,554,317	\$ 148,096,045

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009

**NOTE 10 – Endowment Funds (cont.)**

Changes in endowment net assets for the year ended May 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 24,198,137	\$ 139,688,504	\$ 163,886,641
Loss from investments	(17,992,627)	(1,107)	-	(17,993,734)
Contributions	-	982,976	2,858,028	3,841,004
Appropriation of endowment assets for expenditures	-	(10,148,656)	(100,600)	(10,249,256)
Other Income (loss)	-	299,039	(1,886,026)	(1,586,987)
Transfers of net assets	-	(230,970)	953,443	722,473
Endowment net assets, end of year	<u>\$ (17,992,627)</u>	<u>\$ 15,099,419</u>	<u>\$ 141,513,349</u>	<u>\$ 138,620,141</u>

**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 UPMIFA require the organizations to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$13,300,812 and \$17,992,627 as of May 31, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS  
May 31, 2010 and 2009

**NOTE 10 – Endowment Funds (cont.)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - The organizations have a policy of appropriating for distribution each year 5.5% of the endowment base. The endowment base is defined as the three year moving average of the market value of the total endowment portfolio (calculated as of the last day of each of the previous twelve quarters). In establishing this policy, the organizations considered the long-term expected return on their endowment. Accordingly, over the long-term, the organizations expect the current spending policy to allow its endowment to grow at an average of approximately 2% annually. This is consistent with the organizations' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**NOTE 11 – Restricted Net Assets**

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

	2010		2009	
	Temporarily Restricted	Permanently Restricted	Total	Total
Perpetual Annual Campaign Endowment (PACE) funds	\$ 1,426,763	\$ 60,617,879	\$ 62,044,642	\$ 60,347,263
Special-purpose funds	7,812,909	11,379,662	19,192,571	18,292,294
Constituent agency funds	30,500,112	71,556,776	102,056,888	92,595,492
<b>Total Net Assets</b>	<b>\$ 39,739,784</b>	<b>\$ 143,554,317</b>	<b>\$ 183,294,101</b>	<b>\$ 171,235,049</b>

**NOTE 12 – Contingencies**

During 2001, Jewish Senior Life ("JSL") (formerly Jewish Apartments and Services), a constituent agency supported by the organizations, issued \$18,000,000 in variable rate demand limited obligation revenue bonds. A local lender issued a letter of credit guaranteeing payment of the bonds and related interest, which are being repaid over a 25-year period. Should JSL not meet its obligation to make required principal and interest payments, the bond trustee may draw on the letter of credit. In that event, UJF has guaranteed to reimburse the lender. At May 31, 2010, \$15,300,000 of the bonds were outstanding.

**NOTE 13 – Concentrations**

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

**SUPPLEMENTAL INFORMATION**



**JEWISH FEDERATION OF METROPOLITAN DETROIT**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
 May 31, 2010

**ASSETS**

	Operating Fund	Federation Annual Campaign	JFMD Programming	Grant Programming	Capital Needs	Overseas Programming	Missions Fund	Jewish Life Fund	Total
<b>ASSETS</b>									
Cash and cash equivalents	\$ 7,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,023
Investments	134,498	3,658,465	585,193	97,361	835,507	293,596	127,930	-	5,732,550
Pledges and other receivables, net	315,702	28,390,969	282,287	-	336,300	-	4,080	92,085	29,421,423
Interfund receivables (payables)	-	-	39,340	-	-	-	-	(39,340)	-
Advances and other assets	323,527	-	-	-	-	-	499,813	-	823,340
Property and equipment, net	211,913	-	-	-	-	-	-	-	211,913
<b>TOTAL ASSETS</b>	<b>\$ 992,663</b>	<b>\$ 32,049,434</b>	<b>\$ 906,820</b>	<b>\$ 97,361</b>	<b>\$ 1,171,807</b>	<b>\$ 293,596</b>	<b>\$ 631,823</b>	<b>\$ 52,745</b>	<b>\$ 36,196,249</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>									
Appropriations payable	\$ -	\$ -	\$ 150,000	\$ -	\$ 399,877	\$ -	\$ -	\$ -	\$ 549,877
General	-	-	-	-	-	-	-	-	-
Jewish Federations of North America and overseas	-	1,259,200	-	83,000	-	2,283	491,168	-	1,259,200
Trade accounts and other payables	1,732,376	-	-	83,000	-	-	-	-	2,308,827
Total Liabilities	1,732,376	1,259,200	150,000	83,000	399,877	2,283	491,168	-	4,117,904
<b>NET ASSETS</b>									
Unrestricted	(739,713)	30,790,234	756,820	14,361	771,930	291,313	140,655	52,745	32,078,345
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 992,663</b>	<b>\$ 32,049,434</b>	<b>\$ 906,820</b>	<b>\$ 97,361</b>	<b>\$ 1,171,807</b>	<b>\$ 293,596</b>	<b>\$ 631,823</b>	<b>\$ 52,745</b>	<b>\$ 36,196,249</b>

JEWISH FEDERATION OF METROPOLITAN DETROIT

COMBINING STATEMENT OF ACTIVITIES  
Year Ended May 31, 2010

	Operating Fund	Federation Annual Campaign	JFMD Programming	Grant Programming	Capital Needs	Overseas Programming	Missions Fund	Jewish Life Fund	Total
<b>OPERATING REVENUE AND SUPPORT</b>									
Public support from contributions	\$ 124,000	\$ 32,114,067	\$ 296,074	\$ 1,613,836	\$ -	\$ 500	\$ -	\$ 173,045	\$ 34,321,522
Revenues		31,525							31,525
Investment income (including unrealized gains and losses)	(11,001)								(11,001)
Gain (loss) on disposition of assets	411,885		1,830,228			1,500	46,291	2,620,168	4,910,072
Interorganization appropriations	1,672,933	(12,392)	18,235		20,439	130,819	50,037	42,461	1,922,532
Miscellaneous fees and other income									
Total Operating Revenue and Support	2,197,817	32,133,200	2,144,537	1,613,836	20,439	132,819	96,328	2,835,674	41,174,650
<b>OPERATING EXPENSES</b>									
Program Services									
Distributions									
Jewish Federations of North America and overseas	-	10,796,850	38,980	-	-	7,500	-	-	10,843,330
Local agencies	-	14,006,109	1,865,397	1,344,140	822,631	-	-	2,119,627	20,157,904
Other charitable organizations	-	526,026	42,444	297,196	-	-	-	733,509	1,599,175
Other	5,356,264	12,831	271,900	-	-	54,327	593,121	287,211	6,575,654
Total Program Services	5,356,264	25,341,816	2,218,721	1,641,336	822,631	61,827	593,121	3,140,347	39,176,063
Supporting Services									
Administrative	3,205,127	2,629	-	-	-	-	-	-	3,207,756
Financial resource development	3,068,584	96,810	537	-	-	-	-	-	3,165,931
Bad debt expense	-	1,149,295	1,114	-	-	-	-	-	1,150,409
Other	77,439	-	-	-	-	-	-	-	77,439
Total Supporting Services	6,351,150	1,248,734	1,651	-	-	-	-	-	7,601,535
Total Operating Expenses	11,707,414	26,590,550	2,220,372	1,641,336	822,631	61,827	593,121	3,140,347	46,777,598
Increase (Decrease) in Net Assets from Operations	(9,509,597)	5,542,650	(75,835)	(27,500)	(802,192)	70,992	(496,793)	(304,673)	(5,602,948)
Transfer of funds	9,752,225	(11,593,932)	69,629	-	920,000	(3,000)	521,613	333,565	-
<b>INCREASE (DECREASE) IN NET ASSETS</b>	242,628	(6,051,282)	(6,306)	(27,500)	117,808	67,992	24,820	28,892	(5,602,948)
NET ASSETS - Beginning of Year	(982,341)	36,841,516	763,125	41,861	654,122	223,321	115,835	23,854	37,681,293
<b>NET ASSETS - END OF YEAR</b>	\$ (739,713)	\$ 30,790,234	\$ 756,819	\$ 14,361	\$ 771,930	\$ 291,313	\$ 140,655	\$ 52,746	\$ 32,078,345

**UNITED JEWISH FOUNDATION**

**COMBINING STATEMENT OF FINANCIAL POSITION**  
May 31, 2010

**ASSETS**

	General Fund	Philanthropic Funds	Support Foundations	Land, Building and Equipment	Other Unrestricted Funds	Restricted Funds	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 862,415	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 862,415
Investments	15,996,204	46,812,424	60,102,170	135,200	10,501,538	165,993,564	299,541,100
Pledges and other receivables, net	781,829	8,850,000	14,802,847	(29,987)	843,427	14,675,795	39,923,911
Interfund receivables (payables)	419,737	(130,000)	(837,046)	-	-	547,309	-
Donated real estate and other interests held for investment	305,000	3,721,608	5,431,973	-	-	-	9,458,581
Advances and other assets	90,000	-	-	17,432	149,127	1,818,768	2,075,327
Property and equipment, net	-	-	-	66,347,561	-	4,088,461	70,436,022
<b>TOTAL ASSETS</b>	<b>\$ 18,455,185</b>	<b>\$ 59,254,032</b>	<b>\$ 79,499,944</b>	<b>\$ 66,470,206</b>	<b>\$ 11,494,092</b>	<b>\$ 187,123,897</b>	<b>\$ 422,297,356</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>							
Appropriations Payable	\$ 25,876	\$ 3,495,000	\$ -	\$ -	\$ -	\$ 10,000	\$ 3,530,876
Trade accounts and other payables	4,850	-	-	151,260	339,861	492,319	988,290
Constituent agencies and other deposits	-	-	-	-	10,497,795	-	10,497,795
Bonds, notes and other payables	-	-	-	4,159,112	-	2,068,415	6,227,527
Charitable trust annuities payable	-	-	4,057,191	-	-	10,373,990	14,431,181
Other organizations payable	-	-	-	-	-	2,417,779	2,417,779
Contributions designated for future periods	-	-	-	-	-	1,768,105	1,768,105
Total Liabilities	30,726	3,495,000	4,057,191	4,310,372	10,837,656	17,130,608	39,861,553
<b>NET ASSETS</b>							
Unrestricted	18,424,459	55,759,032	75,442,753	62,159,834	656,436	(13,300,812)	199,141,702
Temporarily restricted	-	-	-	-	-	39,739,784	39,739,784
Permanently restricted	-	-	-	-	-	143,554,317	143,554,317
Total Net Assets	18,424,459	55,759,032	75,442,753	62,159,834	656,436	169,993,289	382,435,803
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,455,185</b>	<b>\$ 59,254,032</b>	<b>\$ 79,499,944</b>	<b>\$ 66,470,206</b>	<b>\$ 11,494,092</b>	<b>\$ 187,123,897</b>	<b>\$ 422,297,356</b>

See independent auditors' report.

**UNITED JEWISH FOUNDATION**

**COMBINING STATEMENT OF ACTIVITIES**  
Year Ended May 31, 2010

	General Fund	Philanthropic Funds	Support Foundations	Land, Building and Equipment	Other Unrestricted Funds	Restricted Funds	Total
<b>OPERATING REVENUE AND SUPPORT</b>							
Public support from contributions	\$ 468,600	\$ 11,487,580	\$ 8,368,110	\$ 180,056	\$ 10,000	\$ 7,761,750	\$ 28,276,096
Revenues							
Investment income (including unrealized gains and losses)	1,690,602	6,249,347	7,658,544	-	4,132	17,910,868	33,513,493
Interorganization appropriations	1,800,000	10,000	-	-	-	530,872	2,340,872
Miscellaneous fees and other income	189,149	4,244,330	(343,025)	662,646	102,908	480,144	5,336,152
Total Public Support and Revenues	4,148,351	21,991,257	15,683,629	842,702	117,040	26,683,634	69,466,613
<b>OPERATING EXPENSES</b>							
Program Services							
Distributions							
Federation's annual campaign		3,094,198	2,751,690	-	-	4,123,941	9,969,829
Local agencies	1,191,334	754,756	2,597,462	-	202,680	5,817,111	10,563,343
Other charitable organizations	-	13,367,974	3,187,042	-	-	895,345	17,450,361
Other	226,223	-	1,185,529	4,141,480	65,916	140,389	5,759,537
Total Program Services	1,417,557	17,216,928	9,721,723	4,141,480	268,596	10,976,786	43,743,070
Supporting Services							
Administrative	196,178	19,614	37,793	60,000	-	18,627	332,212
Bad debt expense	-	-	-	-	-	176,500	176,500
Other	196,178	19,614	37,793	17,634	-	-	17,634
Total Supporting Services	488,474	39,228	75,586	77,634	-	195,127	526,346
Total Operating Expenses	1,613,735	17,236,542	9,759,516	4,219,114	268,596	11,171,913	44,269,416
Increase (Decrease) in Net Assets from Operations	2,534,616	4,754,715	5,924,113	(3,376,412)	(151,556)	15,511,721	25,197,197
Transfer of funds	(1,080,066)	(713,017)	(546,994)	1,102,253	(1,322)	1,239,146	-
<b>INCREASE (DECREASE) IN NET ASSETS</b>							
NET ASSETS - Beginning of Year	1,454,550	4,041,698	5,377,119	(2,274,159)	(152,878)	16,750,867	25,197,197
NET ASSETS - END OF YEAR	16,969,909	51,717,334	70,065,634	64,433,993	809,314	153,242,422	357,238,606
	\$ 18,424,459	\$ 55,759,032	\$ 75,442,753	\$ 62,159,834	\$ 656,436	\$ 169,993,289	\$ 382,435,803

See independent auditors' report.