

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

Bloomfield Hills, Michigan

May 31, 2014 and 2013

COMBINED FINANCIAL STATEMENTS

Including Independent Auditor's Report

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

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Independent Auditor's Report

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

We have audited the accompanying combined financial statements of the Jewish Federation of Metropolitan Detroit and the United Jewish Foundation (the "Organizations"), which comprise the combined statement of financial position as of May 31, 2014 and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

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

Opinion

In our opinion, the 2014 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Jewish Federation of Metropolitan Detroit and the United Jewish Foundation as of May 31, 2014, and the combined changes in net assets, functional expenses, and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The prior year summarized comparative information has been derived from the Organizations' 2013 combined financial statements and, in our report dated October 16, 2013, we expressed an unmodified opinion on those financial statements.

Plante & Moran, PLLC

October 6, 2014

JEWISH FEDERATION OF METROPOLITAN DETROIT AND UNITED JEWISH FOUNDATION

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended May 31, 2014
(With Comparative Combined Totals for the Year Ended May 31, 2013)

	Jewish Federation of Metropolitan Detroit		United Jewish Foundation		Eliminating Adjustments	2014 Combined	2013 Combined	
	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted				Total UJF
OPERATING REVENUE AND SUPPORT								
Public support from contributions	\$ 34,506,165	\$ 63,134,977	\$ 8,739,272	\$ 7,899,427	\$ 79,773,676	\$ (8,727,629)	\$ 105,552,212	\$ 58,336,273
Revenues								
Investment income (including unrealized gains and losses)	9,445	24,329,236	13,597,575	-	37,926,811	-	37,936,256	44,875,619
Loss on disposition of assets	-	(88,678)	-	-	(88,678)	-	(88,678)	(88,860)
Interorganization appropriations	11,260,116	2,723,378	254,189	-	2,977,567	(14,237,683)	-	-
Miscellaneous fees and other	3,437,074	4,607,053	21,126	(803,773)	3,824,406	(225,000)	7,036,480	9,034,787
Reclassification of net assets	-	1,083,020	1,578,051	(2,661,071)	-	-	-	-
Net assets released from restrictions	-	9,553,748	(9,510,152)	(43,596)	-	-	-	-
Total Revenues	14,706,635	42,207,757	5,940,789	(3,508,440)	44,640,106	(14,462,683)	44,884,058	53,821,546
Total Operating Revenue and Support	49,212,800	105,342,734	14,680,061	4,390,987	124,413,782	(23,190,312)	150,436,270	112,157,819
OPERATING EXPENSES								
Program Services								
Distributions								
Federation's annual campaign	-	8,727,629	-	-	8,727,629	(8,727,629)	-	-
Jewish Federations of North America and overseas	9,542,127	360,400	-	-	360,400	-	9,902,527	10,383,939
Local agencies	22,022,097	24,512,853	-	-	24,512,853	(14,237,683)	32,297,267	28,993,068
Other charitable organizations	1,323,576	24,569,317	-	-	24,569,317	-	25,892,893	13,879,975
Other	7,595,849	4,921,444	-	-	4,921,444	-	12,517,293	12,813,943
Total Program Services	40,483,649	63,091,643	-	-	63,091,643	(22,965,312)	80,609,980	66,070,925
Support Services								
Administrative	4,324,403	607,175	-	-	607,175	(225,000)	4,706,578	4,486,935
Financial resource development	2,710,881	-	-	-	-	-	2,710,881	2,569,930
Bad debt expense	318,434	114,599	-	-	114,599	-	433,033	684,952
Other	131,433	20,602	-	-	20,602	-	152,035	139,327
Total Support Services	7,485,151	742,376	-	-	742,376	(225,000)	8,002,527	7,881,144
Total Operating Expenses	47,968,800	63,834,019	-	-	63,834,019	(23,190,312)	88,612,507	73,952,069
Increase in Net Assets from Operations	1,244,000	41,508,715	14,680,061	4,390,987	60,579,763	-	61,823,763	38,205,750
Transfer of funds	-	(1,479,603)	(1,419,857)	2,899,460	-	-	-	-
INCREASE IN NET ASSETS	1,244,000	40,029,112	13,260,204	7,290,447	60,579,763	-	61,823,763	38,205,750
NET ASSETS - Beginning of Year	4,449,657	218,541,093	38,985,510	157,398,782	414,925,385	-	419,375,042	381,169,292
NET ASSETS - END OF YEAR	\$ 5,693,657	\$ 258,570,205	\$ 52,245,714	\$ 164,689,229	\$ 475,505,148	\$ -	\$ 481,198,805	\$ 419,375,042

JEWISH FEDERATION OF METROPOLITAN DETROIT AND UNITED JEWISH FOUNDATION

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended May 31, 2014
(With Comparative Combined Totals for the Year Ended May 31, 2013)

	Jewish Federation of Metropolitan Detroit			United Jewish Foundation			2014 Combined	2013 Combined
	Direct Programs	Administrative Services	Financial Resource Development	Direct Programs	Administrative Services	Eliminating Adjustments		
DISTRIBUTIONS								
Federation's annual campaign	\$ -	-	-	8,727,629	-	(8,727,629)	\$ -	\$ -
Jewish Federations of North America and overseas	9,542,127	-	-	360,400	-	-	9,902,527	10,383,939
Local agencies	22,022,097	-	-	24,512,853	-	(14,237,683)	32,297,267	28,993,068
Other charitable organizations	1,323,576	-	-	24,569,317	-	-	25,892,893	13,879,975
Total Distributions	32,887,800	-	-	58,170,199	-	(22,965,312)	68,092,687	53,256,982
OPERATING EXPENSES								
Other program services	383,367	-	-	155,767	-	-	539,134	657,743
Salaries and wages	3,578,974	2,654,037	1,735,755	-	-	-	7,968,766	7,457,329
Employee benefits	577,461	648,323	312,499	-	-	-	1,538,283	1,564,069
Other personnel	333,945	195,196	94,295	-	-	-	623,436	608,932
Rent and building costs	91,544	101,581	31,875	552,601	22,824	(225,000)	575,425	557,353
Professional services	336,333	165,981	-	-	172,749	-	675,063	733,240
Meetings and events	1,320,430	20,502	109,284	-	-	-	1,450,216	1,308,082
Missions	325,612	-	-	-	-	-	325,612	1,369,343
Marketing	114,748	27,953	73,026	-	-	-	215,727	233,653
Professional development and donor cultivation	120,863	62,803	32,568	-	-	-	216,234	170,666
Interest and bank fees	-	-	106,863	78,243	122,114	-	307,220	300,733
Postage	26,862	40,538	19,583	-	-	-	86,983	85,257
Office expense	23,541	42,778	25,716	-	-	-	92,035	103,056
Property expenses	-	-	-	153,422	26,977	-	180,399	215,783
Equipment repairs and maintenance	51,641	64,174	31,001	-	-	-	146,816	138,679
Information technology support	151,821	255,950	122,763	-	-	-	530,534	282,187
Telephone	22,736	32,403	15,653	-	-	-	70,792	73,128
Insurance	7,141	12,184	-	-	60,854	-	80,179	82,111
Other	-	-	-	-	160,042	-	160,042	111,252
Total Other Expenses Before Depreciation, Bad Debt and Taxes	7,467,019	4,324,403	2,710,881	940,033	565,560	(225,000)	15,782,896	16,052,596
Depreciation	128,830	88,622	42,811	3,981,411	20,602	-	4,262,276	3,952,665
Bad debt expense	-	-	318,434	-	114,599	-	433,033	684,952
Unrelated business income tax	-	-	-	-	41,615	-	41,615	4,874
TOTAL OPERATING EXPENSES	\$ 40,483,649	\$ 4,413,025	\$ 3,072,126	\$ 63,091,643	\$ 742,376	\$ (23,190,312)	\$ 88,612,507	\$ 73,952,069

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, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 61,823,763	\$ 38,205,750
Adjustments to reconcile increase in net assets to net cash flows from operating activities		
Depreciation	4,262,276	3,952,665
Bad debt expense	433,033	684,952
Change in value of liability for charitable trust annuities	1,788,696	1,776,848
Net unrealized gain on investments	(19,440,754)	(26,829,315)
Net realized gain on investments	(18,378,393)	(16,115,805)
Loss on disposals of donated real estate and other interests and property and equipment	194,804	88,860
Partnership and other investment income	128,461	226,154
Contributions restricted for permanent investment	(7,899,427)	(4,575,601)
Contribution of donated real estate and other interests held for investment	(9,593,002)	(2,675,000)
Increase (decrease) in assets and liabilities		
Accounts receivable	23,215	121,876
Pledges receivable	1,481,734	4,412,329
Advances and other assets	(400,118)	44,080
Appropriations payable, trade accounts, and other payables	5,024,745	822,913
Constituent agencies and other deposits	39,968,213	2,748,332
Other organizations payable	8,414,843	89,701
Contributions designated for future periods and charitable trust annuities payable	862,241	345,594
Net Cash Flows from Operating Activities	<u>68,694,330</u>	<u>3,324,333</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of donated real estate and other interests held for investment	786,417	-
Net uses from purchases of investments	(68,910,915)	(4,143,721)
Purchases of property and equipment	(1,609,994)	(1,069,790)
Issuance of notes receivable	-	(614)
Proceeds from collection of notes receivable	2,235,075	2,995,365
Net Cash Flows from Investing Activities	<u>(67,499,417)</u>	<u>(2,218,760)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions and investment income restricted for permanent investment	1,169,927	2,167,601
Payments on charitable trust annuities	(1,900,012)	(1,943,991)
Payments on bonds and notes payable	(463,012)	(1,327,190)
Net Cash Flows from Financing Activities	<u>(1,193,097)</u>	<u>(1,103,580)</u>
Net Increase in Cash and Cash Equivalents	1,816	1,993
CASH AND CASH EQUIVALENTS - Beginning of Year	491,834	489,841
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 493,650</u>	<u>\$ 491,834</u>
Supplemental cash flow disclosures		
Cash paid for interest	\$ 78,973	\$ 94,039
Cash paid for income taxes	\$ 39,440	\$ 4,874

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

NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 1 – Organization

Organization

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

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting

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

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

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

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

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

Cash and Cash Equivalents

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

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 2 – Summary of Significant Accounting Policies (continued)

Contributions

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

Support Foundations and Philanthropic Funds

Unrestricted net assets of UJF include various support foundations and philanthropic funds. Support foundations are governed by individual Boards of Directors (“the Boards”). However, the support foundations are included in the financial statements because of their shared purpose with UJF in supporting JFMD. These foundations have total assets of \$90,215,067 and \$75,769,721 as of May 31, 2014 and 2013, respectively. Philanthropic funds have total assets of \$103,769,611 and \$67,009,075 as of May 31, 2014 and 2013, respectively.

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

Constituent Agency Deposits

Deposits from constituent agencies and other organizations are reported in the UJF portfolio at fair value on the combined statement of financial position. Changes in the fair value of these deposits are reflected as a change in the corresponding liability on the combined statement of financial position. These transactions are not included in the combined statement of activities and changes in net assets. Investment income related to these deposits totaled \$3,454,566 and \$1,547,795 for the years ended May 31, 2014 and 2013, respectively, and is recorded as an increase to the related liability.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 2 – Summary of Significant Accounting Policies (continued)

Investments

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

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

JFMD and UJF invest in various investment funds (the "Funds") with investment managers who manage investment partnerships, managed accounts, commodity funds, hedge funds, and private equity funds which employ diversified styles and strategies. The goal of these investments is to generate a long-term return with less risk than the equity market. The net asset value of these investments is calculated by the investment manager based on prices and valuations supplied to it by the underlying investment or money manager, or similar financial data provider. Market values as of May 31, 2014 and 2013 are based on monthly valuations provided by the managers of the funds. Management, in coordination with the UJF investment committee and the investment consultant, obtains and considers the audited financial statements issued by nationally recognized accounting firms of such investments when evaluating the overall reasonableness of carrying value. Because of the inherent uncertainty of valuations, values may differ materially from values had a ready market existed.

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

Pledges Receivable

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

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 2 – Summary of Significant Accounting Policies (continued)

Pledges Receivable (continued)

Unconditional promises to give that are expected to be collected in future years are recorded as pledges receivable in the year promised at the present value of expected future cash flows, net of an allowance for uncollectible amounts. The present value of such amounts is computed using appropriate discount rates ranging from 1.05 to 4.95 percent based on the years in which the promises are received and commensurate with the expected payment dates.

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

Notes Receivable

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

The organizations consider a financing loan receivable to be impaired when, based upon current information and events, it believes it is probable that the organizations will be unable to collect all amounts due according to the contractual terms of the loan agreement. The organizations had \$347,048 and \$347,998 in loans 90 days or more past due and considered to be impaired or uncollectible as of May 31, 2014 and 2013, respectively. The full balance of these loans has been recorded as an allowance for uncollectible loans.

Donated Real Estate and Other Interests Held for Investment

Donated real estate and other interests held for investment consist of donated real estate or interests in real estate, carried at \$12,136,500 and \$3,826,500 as of May 31, 2014 and 2013, respectively, and donated interests in partnerships and trusts carried at \$1,096,684 and \$750,272 as of May 31, 2014 and 2013, respectively. The assets are recorded at their estimated fair values at the date of donation, as determined by independent appraisals. Subsequent to initial acquisition, donated interests in partnerships and trusts are accounted for under the cost or equity method, depending on the ownership level.

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 2 – Summary of Significant Accounting Policies (continued)

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

Also included in donated real estate and other interests held for investments are single premium annuity contracts related to life insurance policies on the respective donor's life, carried at \$4,102,431 and \$4,227,304 as of May 31, 2014 and 2013, respectively. The organizations record these transactions in accordance with generally accepted accounting principles for deposit accounting. The organizations will ultimately receive, at a minimum, the original amount invested, plus interest, via annuity payments and death benefits. Since there is no transfer of risk associated with the life insurance policies, the related annuity and life insurance investments are accounted for as deposit transactions. Life insurance premium payments are recorded in a deposit account and are offset by the return of the principal portion of the annuity payments.

Advances and Other Assets

Included in advances and other assets are the cash surrender value of donated life insurance policies whereby UJF has been named as the beneficiary. The total cash surrender value of life insurance policies included in advances and other assets was \$2,028,679 and \$2,048,212 as of May 31, 2014 and 2013, respectively.

Property and Equipment

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

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

Impairment of Long-Lived Assets

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

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 2 – Summary of Significant Accounting Policies (continued)

Appropriations Payable

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

Charitable Trust Annuities Payable

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

The organizations have recorded the estimated fair value of the investments associated with irrevocable split-interest agreements and an estimated liability, using various discount rates for the net present value of the future cash outflows to beneficiaries. For the years ended May 31, 2014 and 2013, the combined statement of activities and changes in net assets included a (decrease)/increase to other operating income for changes in the estimated liability for split-interest agreements of (\$1,447,060) and \$253,111, respectively, and investment income included in investment income of \$1,203,860 and \$2,375,552, respectively. Net assets of these trusts amounted to \$3,222,701 and \$4,051,412 at May 31, 2014 and 2013, respectively. Assets held in split-interest agreements, which are included in investments, totaled \$15,642,868 and \$15,535,358 as of May 31, 2014 and 2013, respectively.

Contributions Designated for Future Periods

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

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 2 – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

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

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

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

Revenue Recognition

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

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

Allocation of Expenses

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

Risks and Uncertainties

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

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 2 – Summary of Significant Accounting Policies (continued)

Tax-Exempt Status

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

The organizations apply the standards for 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 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.

Based on its evaluation, the organizations have concluded that there are no significant uncertain tax positions requiring recognition in their financial statements. The organizations are no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for years prior to the 2010 tax year (fiscal year ended May 31, 2011).

Use of Estimates

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

Prior Year Financial Information

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organizations' financial statements for the year ended May 31, 2013, from which the summarized information was derived.

Subsequent Events

The organizations have evaluated subsequent events through October 6, 2014, which is the date that the combined financial statements were approved and available to be issued.

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 3 – Fair Value Measurements

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

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

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

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

The organizations hold as an investment various equity and fixed-income investments that are publicly traded securities. Fair values are based on quoted prices and are classified as Level 1. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals and net asset values. Consistent with accounting standards, it is management's policy to classify investments that are redeemable at NAV in excess of 12 months of the balance sheet date as Level 3 investments. The portfolios 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 organizations' policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of the fair value hierarchy during the years ended May 31, 2014 and 2013.

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NOTE 3 – Fair Value Measurements (continued)

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

	May 31, 2014			
	Total	Level 1	Level 2	Level 3
Pooled Income Portfolio				
Money market	\$ 26,492,814	\$ 26,492,814	\$ -	\$ -
Mutual Funds:				
Equity (a)	163,707,192	163,707,192	-	-
Debt (b)	46,150,834	46,150,834	-	-
Multi Strategy	36,093,281	36,093,281	-	-
Liquid Limited Partnerships				
Equity	5,970,211	-	5,970,211	-
Alternative Investments:				
Direct hedge funds	114,299,815	-	46,853,587	67,446,228
Global asset allocation	14,061,005	-	14,061,005	-
Private equity	14,784,433	-	9,328,339	5,456,094
Total Pooled Income Portfolio	<u>421,559,585</u>	<u>272,444,121</u>	<u>76,213,142</u>	<u>72,902,322</u>
Other:				
Money market	1,940,700	1,940,700	-	-
Israel bonds	820,276	-	820,276	-
Certificate of deposit	787,931	787,931	-	-
Common stocks	28,333,396	28,333,396	-	-
U.S. government debt	216,160	216,160	-	-
Mutual Funds:				
Equity	7,532,576	7,528,935	-	3,641
Debt	1,032,026	1,032,026	-	-
Multi Strategy	891,131	891,131	-	-
Pooled Investment Fund	4,604,275	-	-	4,604,275
Direct Hedge Fund	2,512,628	-	-	2,512,628
Total Other Investments	<u>48,671,099</u>	<u>40,730,279</u>	<u>820,276</u>	<u>7,120,544</u>
Total Investments	<u>\$ 470,230,684</u>	<u>\$ 313,174,400</u>	<u>\$ 77,033,418</u>	<u>\$ 80,022,866</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 3 – Fair Value Measurements (continued)

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

	May 31, 2013			
	Total	Level 1	Level 2	Level 3
Pooled Income Portfolio				
Money market	\$ 25,282,958	\$ 25,282,958	\$ -	\$ -
Mutual Funds:				
Equity (a)	99,180,897	99,180,897	-	-
Debt (b)	47,785,153	47,785,153	-	-
Multi Strategy	52,574,311	52,574,311	-	-
Liquid Limited Partnerships				
Equity	6,124,571	-	6,124,571	-
Alternative Investments:				
Direct hedge funds	53,404,877	-	12,972,776	40,432,101
Global asset allocation	29,966,565	-	21,431,092	8,535,473
Private equity	13,322,601	-	8,583,792	4,738,809
Total Pooled Income Portfolio	<u>327,641,933</u>	<u>224,823,319</u>	<u>49,112,231</u>	<u>53,706,383</u>
Other:				
Money market	2,656,816	2,656,816	-	-
Israel bonds	876,003	-	876,003	-
Certificate of deposit	787,519	787,519	-	-
Common stocks	16,502,077	16,502,077	-	-
U.S. Government Debt	216,863	16,872	199,991	-
Mutual funds:				
Equity	6,460,986	6,457,345	-	3,641
Debt	1,202,438	1,202,438	-	-
Multi-strategy	842,423	842,423	-	-
Pooled Investment Fund	4,116,264	-	-	4,116,264
Direct Hedge Fund	2,197,300	-	-	2,197,300
Total Other Investments	<u>35,858,689</u>	<u>28,465,490</u>	<u>1,075,994</u>	<u>6,317,205</u>
Total Investments	<u>\$ 363,500,622</u>	<u>\$ 253,288,809</u>	<u>\$ 50,188,225</u>	<u>\$ 60,023,588</u>

(a) - Equity mutual funds include investments in closed funds which can be redeemed daily based on net asset values (NAV) provided by the fund managers. Balances in these type of funds were \$48,973,127 and \$24,809,781 as of May 31, 2014 and 2013, respectively. The organizations have no unfunded commitments for these funds as of May 31, 2014 and 2013, and there are no liquidity restrictions placed on these funds.

(b) - Debt mutual funds include investments in closed funds which can be redeemed daily based on net asset values (NAV) provided by the fund managers. Balances in these type of funds were \$15,976,214 and \$17,682,465 as of May 31, 2014 and 2013, respectively. The organizations have no unfunded commitments for these funds as of May 31, 2014 and 2013, and there are no liquidity restrictions placed on these funds.

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NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended May 31, 2014 and 2013

NOTE 3 – Fair Value Measurements (continued)

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

	Year Ended May 31, 2014				
	Beginning Balance	Purchases	Sales and Settlements	Realized and Unrealized Gains and (Losses)	Ending Balance
Pooled Income Portfolio:					
Direct hedge funds	\$ 40,432,101	23,100,000	-	3,914,127	\$ 67,446,228
Global asset allocation	8,535,473	-	(8,976,958)	441,485	-
Private equity	4,738,809	1,558,972	(1,308,093)	466,406	5,456,094
Other:					
Equity mutual funds	3,641	-	-	-	3,641
Direct hedge funds	2,197,300	-	-	315,328	2,512,628
Pooled investment fund	4,116,264	-	-	488,011	4,604,275
Total	\$ 60,023,588	\$ 24,658,972	\$ (10,285,051)	\$ 5,625,357	\$ 80,022,866
	Year Ended May 31, 2013				
	Beginning Balance	Purchases	Sales and Settlements	Realized and Unrealized Gains and (Losses)	Ending Balance
Pooled Income Portfolio:					
Hedge fund of funds	\$ 228,257	\$ -	\$ (228,257)	\$ -	\$ -
Direct hedge funds	21,808,644	14,102,084	(102,084)	4,623,457	40,432,101
Global asset allocation	28,957,341	1,589,289	(24,753,882)	2,742,725	8,535,473
Private equity	5,602,208	426,912	(1,759,697)	469,386	4,738,809
Other:					
Equity mutual funds	3,641	-	-	-	3,641
Debt mutual funds	1,313,568	-	(1,318,297)	4,729	-
Direct hedge funds	1,910,208	-	-	287,092	2,197,300
Pooled investment fund	2,270,131	1,300,000	-	546,133	4,116,264
Total	\$ 62,093,998	\$ 17,418,285	\$ (28,162,217)	\$ 8,673,522	\$ 60,023,588

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 in these funds and the assets on which NAV is based. This results in significant outputs which are unobservable.

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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 3 – Fair Value Measurements (continued)

Investment Type	Investment Objective	Percentage	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Fund of Funds	Invest in a diversified set of hedge fund managers to produce equity-like returns, but with reduced volatility. Underlying hedge fund manager strategies include directional equity (i.e., long/short equity) and non-directional strategies (i.e., market neutral, multi-strategy, arbitrage, relative value and event driven).	100%	None	Quarterly	90 days
Direct Hedge Funds	Invest directly in debt, equity and derivative securities to produce equity-like returns, but with reduced volatility. Strategies employed include long/short equity, multi-strategy, arbitrage, relative value and event driven. Beta exposure to markets will vary based on the degree of hedging utilized by the managers. Approximately 61 percent of the funds within this category are subject to an investor gate which allows for only 25 percent redemption during any three-month period.	100%	None	Quarterly - Biennially	45-120 days
Global Asset Allocation Fund	Allocate assets across the full range of asset classes, including fixed income, equities and commodities to create a diversified portfolio that adds value primarily through tactical asset allocation decisions. Underlying investments may include mutual funds, hedge funds, derivatives and individual securities.	100%	None	Monthly	10 days
Private Equity	Invest directly in securities of companies that are generally not actively traded at the time of investment, securities that are perceived to be trading at distressed levels (many of which are illiquid), or a basket of private equity funds that invest in said securities. Additionally, make acquisitions of private equity limited partnership interests and direct investment portfolios with a focus of acquiring these interests at a significant discount. Investments may be in U.S. or foreign markets, and returns are expected to be higher than those that can be achieved in equity markets, albeit with higher expected volatility. Funds within this category are not redeemable. Certain funds within this category will be redeemable quarterly upon 60 days' notice following the expiration of an initial 12-month lock-up period.	37%	\$ 5,565,988	N/A	N/A
		63%	None	Quarterly	60 days
Liquid Limited Partnerships	Invest directly in publicly traded equity securities, fixed-income securities or futures through a commingled vehicle. Though the underlying securities have daily liquidity, funds within this category may offer liquidity ranging from daily to monthly.	100%	None	Monthly	30 days

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 4 – Investments

Investment income includes realized gains of \$18,378,393 and \$16,115,805, unrealized gains of \$19,440,754 and \$26,829,315, and interest and dividends of \$2,273,522 and \$3,928,018 (net of \$682,444 and \$725,706 in fees), in each case for the years ended May 31, 2014 and 2013, respectively. Investment income in the organizations' combined statement of activities and changes in net assets is presented net of investment income earned on amounts held for constituent agencies and other deposits, charitable trust annuities payable and other organizations payable.

NOTE 5 – Accounts Receivable

Accounts receivable consists of the following as of May 31:

	2014			2013
	JFMD	UJF	Combined	
Advances to constituent agencies	\$ 67,464	\$ 4,087,667	\$ 4,155,131	\$ 4,087,651
Other receivables	293,722	7,508	301,230	434,924
Total gross accounts receivable	361,186	4,095,175	4,456,361	4,522,575
Allowance for uncollectible amounts	(67,464)	(794,070)	(861,534)	(927,252)
Net accounts receivable	<u>\$ 293,722</u>	<u>\$ 3,301,105</u>	<u>\$ 3,594,827</u>	<u>\$ 3,595,323</u>

NOTE 6 – Pledges Receivable

	2014			2013
	JFMD	UJF	Combined	Net Receivables
Gross pledges receivable	\$ 26,356,630	\$ 11,355,014	\$ 37,711,644	\$ 31,230,309
Allowance for uncollectible amounts	(5,680,510)	(2,687,484)	(8,367,994)	(8,290,218)
Unamortized discount	-	(1,684,712)	(1,684,712)	(72,217)
Net pledges receivable	<u>\$ 20,676,120</u>	<u>\$ 6,982,818</u>	<u>\$ 27,658,938</u>	<u>\$ 22,867,874</u>

Payments on pledges receivable at May 31, 2014 are expected to be received as follows:

	JFMD	UJF	Combined
Within one year	\$ 26,356,630	\$ 4,059,080	\$ 30,415,710
Between one and five years	-	2,473,434	2,473,434
More than five years	-	4,822,500	4,822,500
Total	<u>\$ 26,356,630</u>	<u>\$ 11,355,014</u>	<u>\$ 37,711,644</u>

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 6 – Pledges Receivable (continued)

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

	2014	2013
Centennial Campaign	\$ 6,669,329	\$ 1,861,204
Millennium - Jewish Life Fund	1,275,000	1,475,000
Henrietta & Alvin Weisberg Holocaust Memorial Center	800,000	-
Millennium - Jewish Community Center	759,638	1,161,638
Jewish Women's Foundation	637,239	669,491
Jewish Education Trust	200,000	200,000
Jean and Samuel Frankel Jewish Academy of Metropolitan Detroit	171,000	199,500
BBYO Student Conference Center	160,400	170,050
Jewish Foundation for the Elderly	130,000	285,000
Berman Center for the Performing Arts	123,688	339,123
Legacy Fund	111,500	87,471
JVS	100,000	100,000
Jewish Senior Life	56,670	87,503
Jewish Community Center Teen Center	40,000	80,000
Robinson Pioneer Village - Fresh Air Society	35,000	-
Jewish Community Center	25,950	55,950
Alan & Sue Kaufman Family Sports Program	25,000	25,000
Becker YAD All Star Mission	20,000	40,000
Alliance for Jewish Education	9,000	6,000
University of Michigan Hillel	4,600	4,600
Jewish Family Service	1,000	1,500
	\$ 11,355,014	\$ 6,849,030
Total Pledges Receivable	\$ 11,355,014	\$ 6,849,030

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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 7 – Notes Receivable

Notes receivable consist of the following at May 31:

	2014	2013
UJF:		
Note receivable from a related party bearing interest at 3.03% annually, due in annual principal and interest installments of \$2,248,811 through December 2016	\$ 3,980,055	\$ 6,102,280
Mortgage receivable from a related party bearing interest at 7.10%, with interest payments of \$47,333 due monthly, the principal was due in October 2013 but was amended to be due the earlier of September 2033 or six months following the death of the related party	8,000,000	8,000,000
Land contract receivable bearing interest at 7.00% annually, due in monthly principal and interest installments of \$10,000 through November 2019	545,958	624,723
Other notes receivable	551,135	579,555
Gross notes receivable	13,077,148	15,306,558
Allowance for uncollectible amounts	(347,048)	(347,998)
Notes receivable, net - UJF	12,730,100	14,958,560
JFMD - Other notes receivable	42,248	47,913
Notes receivable, net - Combined	\$ 12,772,348	\$ 15,006,473

NOTE 8 – Property and Equipment – JFMD and UJF

Property and equipment consist of the following at May 31:

	2014	2013
Land	\$ 7,375,208	\$ 7,175,208
Buildings	119,059,357	117,639,003
Furniture and equipment	4,227,147	4,185,285
Construction in progress	42,772	371,991
Total	130,704,484	129,371,487
Accumulated depreciation	(66,047,806)	(61,971,306)
Net Property and Equipment	\$ 64,656,678	\$ 67,400,181

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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 8 – Property and Equipment – JFMD and UJF (continued)

The majority of land and buildings represent communal properties and consist of the following at May 31, 2014:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
United Jewish Foundation			
Max M. Fisher Federation Building	\$ 900,000	\$ 7,426,813	\$ 8,326,813
Fresh Air Society – Camp Tamarack			
Ortonville	425,215	6,170,135	6,595,350
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	52,358,131	54,770,287
Taubman Campus site	46,378	6,372,174	6,418,552
Jewish Family Service	1,537,176	6,944,131	8,481,307
Jean and Samuel Frankel Jewish Academy	-		
of Metropolitan Detroit	-	7,805,628	7,805,628
Akiva Hebrew Day School	291,482	4,248,320	4,539,802
B'nai B'rith Youth Organization	-	1,120,071	1,120,071
Jewish Senior Life			
Fleischman Residence	-	5,603,489	5,603,489
Epicenter	-	1,298,200	1,298,200
Brown Adult Day Care Center	-	1,402,812	1,402,812
Brown Memory Care Pavilion	-	1,298,297	1,298,297
JVS - Workshop – Woodward and Canfield	245,916	1,300,044	1,545,960
Yeshivas Darchei Torah	40,147	6,467,073	6,507,220
University of Michigan Hillel	-	3,311,702	3,311,702
Michigan State University Hillel	65,555	2,216,438	2,281,993
Yeshiva Beth Yehudah	121,500	2,155,939	2,277,439
Yeshiva Beth Yehudah Preschool	165,000	1,367,538	1,532,538
6866 W. Maple, West Bloomfield	175,760	-	175,760
14450 Ten Mile Road, Oak Park	555,000	-	555,000
28770 San Carlos, Southfield	-	125,000	125,000
	<u>7,375,208</u>	<u>119,059,357</u>	<u>126,434,565</u>
Accumulated depreciation	<u>-</u>	<u>(62,621,898)</u>	<u>(62,621,898)</u>
Total Land and Buildings	<u>\$ 7,375,208</u>	<u>\$ 56,437,459</u>	<u>\$ 63,812,667</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 9 – Financing Arrangements

At May 31, 2014 and 2013, UJF has an unsecured note payable outstanding of \$225,000 and \$250,000, respectively, related to the purchase of land at 14450 Ten Mile Road, Oak Park. The note is noninterest-bearing with annual payments of \$25,000. The loan matures in February 2023.

At May 31, 2014 and 2013, UJF also has bonds payable outstanding of \$1,476,337 and \$1,614,349, respectively, which consist of Bank of America Public Capital Corp limited obligation revenue notes, bearing interest at a fixed rate of 4.45% per annum. The bonds are callable at any time and mature July 1, 2023. The proceeds from the bond issuance were used to finance an HVAC system at the Jewish Community Center.

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, UJF has outstanding balances for the following organizations:

	2014	2013
Jewish Community Center	\$ -	\$ 300,000
Total	\$ -	\$ 300,000

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

May 31, 2015	\$ 152,159
May 31, 2016	157,934
May 31, 2017	163,974
May 31, 2018	176,882
May 31, 2019	183,780
Thereafter	866,608
Total Bonds and Notes Payable	1,701,337

Amounts owed to banks on behalf
of constituent agencies (per above)

	-
Total Bonds, Notes, and Other Payables	\$ 1,701,337

**JEWISH FEDERATION OF METROPOLITAN DETROIT
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NOTE 10 – Retirement Plans

JFMD, with certain constituent agencies, participates in the Jewish Federation of Metropolitan Detroit Pension Plan (the "Plan") which covers substantially all of the organization's employees. The Plan is not required to file Form 5500 and does not have a separate Employer Identification Number.

Contributions to the Plan were \$368,100 and \$340,600 for the years ended May 31, 2014 and 2013, respectively. Based on information as of December 31, 2013, the year-end of the Plan, the organization's contributions to the Plan represent more than 5 percent of total contributions received by the Plan. The amount of the organization's contributions to the Plan increased by approximately 8 percent from 2013 to 2014 primarily as a result of increased normal and window costs.

In addition, to the extent that the Plan is underfunded, and in the event that other organizations participating in the Plan have no assets available to pay their contributions, then the organization's future contributions to the Plan may increase to cover retirement benefits of employees of other organizations participating in the Plan. The following information is based on the financial statements of the Plan as of December 31, 2013.

Total Plan assets	\$ 21,628,778
Actuarial present value of accumulated Plan benefits	23,260,514
Total contributions received by the Plan	1,053,396
Indicated level of funding	At least 80%

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

Effective December 31, 2014, JFMD will be freezing the Plan.

JFMD also offers a defined contribution 403(b) retirement plan to all employees who meet eligibility requirements. The plan allows for employee contributions with no employer match.

NOTE 11 – Transactions with Affiliates

The Federation and The Jewish Fund have entered into a management agreement whereby the Federation provides administrative support to the Fund for an agreed-upon fee. Such fees were \$250,000 and \$215,000 for the years ended May 31, 2014 and 2013.

Grants received from The Jewish Fund by the Federation were \$725,250 and \$1,036,446 and indirect grant expenses paid to other affiliated entities were \$32,297,266 and \$28,993,070 for the years ended May 31, 2014 and 2013, respectively.

In addition, UJF granted a total of \$2,850,000 to the JCC, during the period from January 2013 to May 2014, to support their cash needs.

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NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 11 – Transactions with Affiliates (continued)

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

	2014	2013
Appropriations payable	\$ 15,681,092	\$ 15,661,978
Constituent agency deposits	19,999,148	12,018,839
Total	<u>\$ 35,680,240</u>	<u>\$ 27,680,817</u>

NOTE 12 – Endowment Funds

UJF's endowment consists of 1,029 individual donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported, based on the existence or absence of donor-imposed restrictions.

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

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 12 – Endowment Funds (continued)

Endowment net asset composition as of May 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ (8,073,299)	\$ 28,302,334	\$ 164,689,229	\$ 184,918,264
Board Designated	1,994,679	-	-	1,994,679
Split-interest agreements	336,578	-	-	336,578
	<u>\$ (5,742,042)</u>	<u>\$ 28,302,334</u>	<u>\$ 164,689,229</u>	<u>\$ 187,249,521</u>

Endowment net asset composition as of May 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ (9,340,349)	\$ 22,497,591	\$ 157,398,782	\$ 170,556,024

Changes in endowment net assets for the year ended May 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (9,340,349)	\$ 22,497,591	\$ 157,398,782	\$ 170,556,024
Income from investments	-	14,147,391	-	14,147,391
Contributions	-	846,546	7,899,427	8,745,973
Appropriation of endowment assets for expenditures	-	(8,716,526)	(43,596)	(8,760,122)
Other income	5,800	(8,636)	(803,773)	(806,609)
Reclassification of net assets	1,083,020	1,578,051	(2,661,071)	-
Transfers of net assets	1,242,437	(775,033)	2,899,460	3,366,864
Reclassification of income	1,267,050	(1,267,050)	-	-
Endowment net assets, end of year	<u>\$ (5,742,042)</u>	<u>\$ 28,302,334</u>	<u>\$ 164,689,229</u>	<u>\$ 187,249,521</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 12 – Endowment Funds (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (15,073,419)	\$ 16,821,260	\$ 147,656,539	\$ 149,404,380
Income from investments	-	20,085,517	-	20,085,517
Contributions	-	159,389	4,575,601	4,734,990
Appropriation of endowment assets for expenditures	-	(8,340,210)	(85,668)	(8,425,878)
Other income	-	8	865,295	865,303
Transfers of net assets	-	(495,303)	4,387,015	3,891,712
Reclassification of income	5,733,070	(5,733,070)	-	-
Endowment net assets, end of year	<u>\$ (9,340,349)</u>	<u>\$ 22,497,591</u>	<u>\$ 157,398,782</u>	<u>\$ 170,556,024</u>

Funds with Deficiencies - From time to time, the fair value associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA require the organizations to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$8,073,299 and \$9,340,349 as of May 31, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of endowment funds to the required level will be classified as an increase in unrestricted net assets.

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 12 – Endowment Funds (continued)

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

NOTE 13 – Restricted Net Assets

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

	Temporarily Restricted	
	2014	2013
Unappropriated Endowment Earnings:		
Perpetual Annual Campaign		
Endowment (PACE) funds	\$ 1,261,289	\$ 772,241
Special-purpose funds	5,512,469	4,405,460
Constituent agency funds	21,528,576	17,319,890
Total Unappropriated Endowment Earnings	28,302,334	22,497,591
Other Time and/or Purpose Restrictions:		
Perpetual Annual Campaign		
Endowment (PACE) funds	1,602,878	1,613,125
Special-purpose funds	6,536,961	5,213,954
Constituent agency funds	15,803,541	9,660,840
Total Other Time and/or Purpose Restrictions	23,943,380	16,487,919
Total Temporarily Restricted Net Assets	\$ 52,245,714	\$ 38,985,510

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

NOTES TO COMBINED FINANCIAL STATEMENTS
May 31, 2014 and 2013

NOTE 13 – Restricted Net Assets (Continued)

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

	Permanently Restricted	
	2014	2013
Perpetual Annual Campaign Endowment (PACE) funds	\$ 65,040,398	\$ 63,609,168
Special-purpose funds	9,513,509	20,499,733
Constituent agency funds	90,135,322	73,289,881
Total Net Assets	\$ 164,689,229	\$ 157,398,782

NOTE 14 – Contingencies

During 2001, Jewish Senior Life (JSL) (formerly Jewish Apartments and Services), a constituent agency supported by the organizations, issued \$18,000,000 in variable rate demand limited obligation revenue bonds. A local lender issued a letter of credit guaranteeing payment of the bonds and related interest, which are being repaid over a 25-year period. Should JSL not meet its obligation to make required principal and interest payments, the bond trustee may draw on the letter of credit. In that event, UJF has guaranteed to reimburse the lender. On July 10, 2013, UJF was granted a second priority mortgage interest in the underlying property, the Meer Jewish Apartments, to provide collateral support for its guarantee obligation. At May 31, 2014 and 2013, \$12,700,000 and \$13,400,000 of the bonds were outstanding, respectively.

Jewish Community Center (JCC), a constituent agency supported by the organization, has a bank line of credit for \$500,000. The outstanding balance was \$500,000 as of May 31, 2014 and 2013. Effective May 14, 2014, the bank line of credit expiration was extended to December 31, 2014 and bears interest at libor plus 3 percent. The bank line of credit is guaranteed by UJF.

NOTE 15 – Concentrations

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

SUPPLEMENTAL INFORMATION



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Independent Auditor's Report on Supplemental Information

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

We have audited the combined financial statements of the Jewish Federation of Metropolitan Detroit and the United Jewish Foundation as of and for the year ended May 31, 2014 and have issued our report thereon dated October 6, 2014, which contained an unmodified opinion on those combined financial statements.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying combining statements of financial position and combining statements of activities and changes in net assets are presented for the purpose of additional analysis of the combined financial statements rather than to present the financial position and results of operations of the individual entities and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Plante & Moran, PLLC

October 6, 2014

JEWISH FEDERATION OF METROPOLITAN DETROIT

COMBINING STATEMENT OF FINANCIAL POSITION
May 31, 2014

ASSETS								
	Operating Fund	Federation Annual Campaign	JFMD Programming	Overseas Programming	Missions Fund	Jewish Life Fund	Alliance for Jewish Education	Total
ASSETS								
Cash and cash equivalents	\$ 600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600
Investments	18,834	12,062,898	623,550	305,411	(32,206)	45,449	92,120	13,116,056
Accounts receivable, net	293,646	-	-	-	-	-	76	293,722
Pledges receivable, net	-	20,342,820	333,300	-	-	-	-	20,676,120
Notes receivable, net	-	42,248	-	-	-	-	-	42,248
Interfund receivables (payables)	3,703,100	(7,852,079)	510,000	170,500	321,790	-	967,500	(2,179,189)
Advances and other assets	439,155	-	-	2,500	424,593	-	552	866,800
Property and equipment, net	445,873	-	-	-	-	-	-	445,873
TOTAL ASSETS	\$ 4,901,208	\$ 24,595,887	\$ 1,466,850	\$ 478,411	\$ 714,177	\$ 45,449	\$ 1,060,248	\$ 33,262,230
LIABILITIES AND NET ASSETS								
LIABILITIES								
Appropriations payable								
General	\$ -	\$ 17,129,875	\$ 172,211	\$ -	\$ -	\$ -	\$ -	\$ 17,302,086
Jewish Federations of North America and overseas	-	7,907,630	-	-	-	-	-	7,907,630
Trade accounts and other payables	1,861,813	-	-	2,564	401,732	-	92,748	2,358,857
Total Liabilities	1,861,813	25,037,505	172,211	2,564	401,732	-	92,748	27,568,573
NET ASSETS								
Unrestricted	3,039,395	(441,618)	1,294,639	475,847	312,445	45,449	967,500	5,693,657
TOTAL LIABILITIES AND NET ASSETS	\$ 4,901,208	\$ 24,595,887	\$ 1,466,850	\$ 478,411	\$ 714,177	\$ 45,449	\$ 1,060,248	\$ 33,262,230

JEWISH FEDERATION OF METROPOLITAN DETROIT

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended May 31, 2014

	Operating Fund	Federation Annual Campaign	JFMD Programming	Overseas Programming	Missions Fund	Jewish Life Fund	Alliance for Jewish Education	Total
OPERATING REVENUE AND SUPPORT								
Public support from contributions	\$ 216,081	\$ 33,685,050	\$ 551,710	\$ 154	\$ 7,600	\$ -	\$ 45,570	\$ 34,506,165
Revenues								
Investment income (including unrealized gains)	-	9,445	-	-	-	-	-	9,445
Interorganization appropriations	4,892,021	-	3,010,929	-	84,133	2,551,968	721,065	11,260,116
Miscellaneous fees and other	2,867,491	-	16,210	17,248	160,275	-	375,850	3,437,074
Total Revenue	<u>7,759,512</u>	<u>9,445</u>	<u>3,027,139</u>	<u>17,248</u>	<u>244,408</u>	<u>2,551,968</u>	<u>1,096,915</u>	<u>14,706,635</u>
Total Operating Revenue and Support	<u>7,975,593</u>	<u>33,694,495</u>	<u>3,578,849</u>	<u>17,402</u>	<u>252,008</u>	<u>2,551,968</u>	<u>1,142,485</u>	<u>49,212,800</u>
OPERATING EXPENSES								
Program Services								
Distributions								
Jewish Federations of North America and overseas	-	9,476,390	65,737	-	-	-	-	9,542,127
Local agencies	-	17,670,156	2,146,733	-	-	2,205,208	-	22,022,097
Other charitable organizations	-	902,612	49,140	-	231,790	56,634	83,400	1,323,576
Other	5,764,100	-	236,768	51,957	317,072	-	1,225,952	7,595,849
Total Program Services	<u>5,764,100</u>	<u>28,049,158</u>	<u>2,498,378</u>	<u>51,957</u>	<u>548,862</u>	<u>2,261,842</u>	<u>1,309,352</u>	<u>40,483,649</u>
Support Services								
Administrative	4,299,403	25,000	-	-	-	-	-	4,324,403
Financial resource development	2,598,844	97,321	-	13	8,541	-	6,162	2,710,881
Bad debt expense	-	318,434	-	-	-	-	-	318,434
Other	131,433	-	-	-	-	-	-	131,433
Total Support Services	<u>7,029,680</u>	<u>440,755</u>	<u>-</u>	<u>13</u>	<u>8,541</u>	<u>-</u>	<u>6,162</u>	<u>7,485,151</u>
Total Operating Expenses	<u>12,793,780</u>	<u>28,489,913</u>	<u>2,498,378</u>	<u>51,970</u>	<u>557,403</u>	<u>2,261,842</u>	<u>1,315,514</u>	<u>47,968,800</u>
(Decrease) Increase in Net Assets from Operations	(4,818,187)	5,204,582	1,080,471	(34,568)	(305,395)	290,126	(173,029)	1,244,000
Transfer of funds	4,916,841	(5,354,192)	114,278	73,500	316,670	(260,126)	193,029	-
INCREASE (DECREASE) IN NET ASSETS	98,654	(149,610)	1,194,749	38,932	11,275	30,000	20,000	1,244,000
NET ASSETS - Beginning of Year	2,940,741	(292,008)	99,890	436,915	301,170	15,449	947,500	4,449,657
NET ASSETS - END OF YEAR	<u>\$ 3,039,395</u>	<u>\$ (441,618)</u>	<u>\$ 1,294,639</u>	<u>\$ 475,847</u>	<u>\$ 312,445</u>	<u>\$ 45,449</u>	<u>\$ 967,500</u>	<u>\$ 5,693,657</u>

UNITED JEWISH FOUNDATION

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended May 31, 2014

	General Fund	Philanthropic Funds	Support Foundations	Land, Building and Equipment	Other Unrestricted Funds	Restricted Funds	Total
OPERATING REVENUE AND SUPPORT							
Public support from contributions	\$ 1,196,085	\$ 47,975,795	\$ 13,084,787	\$ 878,309	\$ -	\$ 16,638,700	\$ 79,773,676
Revenues							
Investment income (including unrealized gains)	1,353,250	13,774,450	7,912,028	-	116,120	14,770,963	37,926,811
(Loss) Gain on disposition of assets	(99,866)	-	-	11,188	-	-	(88,678)
Interorganization appropriations	1,643,378	10,000	-	-	1,070,000	254,189	2,977,567
Miscellaneous fees and other	4,077,194	233,493	(468,595)	517,127	242,052	(776,865)	3,824,406
Total Revenue	<u>6,973,956</u>	<u>14,017,943</u>	<u>7,443,433</u>	<u>528,315</u>	<u>1,428,172</u>	<u>14,248,287</u>	<u>44,640,106</u>
Total Operating Revenue and Support	<u>8,170,041</u>	<u>61,993,738</u>	<u>20,528,220</u>	<u>1,406,624</u>	<u>1,428,172</u>	<u>30,886,987</u>	<u>124,413,782</u>
OPERATING EXPENSES							
Program Services							
Distributions							
Federation's annual campaign	-	3,587,707	982,068	-	-	4,157,854	8,727,629
Jewish Federations of North America and overseas	-	250,000	65,400	-	-	45,000	360,400
Local agencies	8,901,792	6,031,032	2,204,601	-	1,112,220	6,263,208	24,512,853
Other charitable organizations	-	17,867,885	5,908,857	-	-	792,575	24,569,317
Other	252,559	15,500	-	4,491,935	104,677	56,773	4,921,444
Total Program Services	<u>9,154,351</u>	<u>27,752,124</u>	<u>9,160,926</u>	<u>4,491,935</u>	<u>1,216,897</u>	<u>11,315,410</u>	<u>63,091,643</u>
Support Services							
Administrative	421,335	25,737	60,794	59,884	-	39,425	607,175
Bad debt (recovery) expense	(30,417)	-	(950)	-	-	145,966	114,599
Other	-	-	-	20,602	-	-	20,602
Total Support Services	<u>390,918</u>	<u>25,737</u>	<u>59,844</u>	<u>80,486</u>	<u>-</u>	<u>185,391</u>	<u>742,376</u>
Total Operating Expenses	<u>9,545,269</u>	<u>27,777,861</u>	<u>9,220,770</u>	<u>4,572,421</u>	<u>1,216,897</u>	<u>11,500,801</u>	<u>63,834,019</u>
(Decrease) Increase in Net Assets from Operations	(1,375,228)	34,215,877	11,307,450	(3,165,797)	211,275	19,386,186	60,579,763
Transfer of funds	(2,004,115)	(1,955,342)	3,323,193	1,022,779	(217,380)	(169,135)	-
(DECREASE) INCREASE IN NET ASSETS	<u>(3,379,343)</u>	<u>32,260,535</u>	<u>14,630,643</u>	<u>(2,143,018)</u>	<u>(6,105)</u>	<u>19,217,051</u>	<u>60,579,763</u>
NET ASSETS - Beginning of Year	<u>22,015,029</u>	<u>65,509,076</u>	<u>72,356,794</u>	<u>64,487,516</u>	<u>3,513,027</u>	<u>187,043,943</u>	<u>414,925,385</u>
NET ASSETS - END OF YEAR	<u>\$ 18,635,686</u>	<u>\$ 97,769,611</u>	<u>\$ 86,987,437</u>	<u>\$ 62,344,498</u>	<u>\$ 3,506,922</u>	<u>\$ 206,260,994</u>	<u>\$ 475,505,148</u>