

**THE JEWISH FUND**

Bloomfield Hills, Michigan

May 31, 2019 and 2018

FINANCIAL STATEMENTS

Including Independent Auditor's Report

# THE JEWISH FUND

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## Independent Auditor's Report

To the Board of Directors  
The Jewish Fund

We have audited the accompanying financial statements of The Jewish Fund, which comprise the statements of financial position as of May 31, 2019 and 2018 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Jewish Fund as of May 31, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, The Jewish Fund adopted the provisions of ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, for the year ended May 31, 2019, applied retrospectively to all years presented. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

September 23, 2019

**THE JEWISH FUND**

**STATEMENTS OF FINANCIAL POSITION**  
May 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 324,631	\$ 269,869
Contributions receivable	-	50,000
Investments	59,011,637	61,260,523
Prepaid expenses	<u>1,833</u>	<u>-</u>
Total assets	<u>\$ 59,338,101</u>	<u>\$ 61,580,392</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 68,156	\$ 35,742
Grants payable	565,732	770,274
Deferred revenue	<u>-</u>	<u>1,367</u>
Total liabilities	633,888	807,383
<b>NET ASSETS</b>		
Without Donor Restrictions	49,749,095	51,882,710
With Donor Restrictions	<u>8,955,118</u>	<u>8,890,299</u>
Total net assets	<u>58,704,213</u>	<u>60,773,009</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 59,338,101</u>	<u>\$ 61,580,392</u>

**THE JEWISH FUND**

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
Years Ended May 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE AND SUPPORT</b>						
Grants and contributions	\$ -	\$ 1,367	\$ 1,367	\$ -	\$ 9,078	\$ 9,078
Investment income, net	1,355,288	259,305	1,614,593	3,553,919	695,023	4,248,942
Net unrealized losses on investments	(378,296)	(82,557)	(460,853)	(740,733)	(207,423)	(948,156)
Returned grants and other income	44,268	-	44,268	83,161	-	83,161
Net assets released from restrictions	113,296	(113,296)	-	429,101	(429,101)	-
Total operating revenue and support	1,134,556	64,819	1,199,375	3,325,448	67,577	3,393,025
<b>EXPENSES</b>						
Programs:						
Grants	2,774,600	-	2,774,600	3,030,401	-	3,030,401
Teen foundation board	96,180	-	96,180	91,736	-	91,736
Administrative and general	397,391	-	397,391	377,392	-	377,392
Total expenses	3,268,171	-	3,268,171	3,499,529	-	3,499,529
<b>(DECREASE) INCREASE IN NET ASSETS</b>	(2,133,615)	64,819	(2,068,796)	(174,081)	67,577	(106,504)
<b>NET ASSETS - BEGINNING OF YEAR</b>	51,882,710	8,890,299	60,773,009	52,056,791	8,822,722	60,879,513
<b>NET ASSETS - END OF YEAR</b>	\$ 49,749,095	\$ 8,955,118	\$ 58,704,213	\$ 51,882,710	\$ 8,890,299	\$ 60,773,009

See accompanying notes to financial statements.

**THE JEWISH FUND**

STATEMENTS OF CASH FLOWS  
Years Ended May 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (2,068,796)	\$ (106,504)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Net unrealized loss on investments	460,853	948,156
Net realized gain on investments	(164,500)	(3,112,814)
Changes in operating assets and liabilities which provided (used) cash:		
Contributions receivable	50,000	50,000
Prepaid expenses	(1,833)	-
Accounts payable	32,414	(5,667)
Grants payable	(204,542)	142,735
Deferred revenue	(1,367)	(878)
	<u>(1,897,771)</u>	<u>(2,084,972)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES - Net sale of investments</b>	<u>1,952,533</u>	<u>1,868,517</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	54,762	(216,455)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>269,869</u>	<u>486,324</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 324,631</u>	<u>\$ 269,869</u>

# THE JEWISH FUND

## NOTES TO FINANCIAL STATEMENTS May 31, 2019 and 2018

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### **NOTE 1 - Organization**

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The Jewish Fund (the "Fund") was established from the proceeds of the sale of Sinai Hospital to the Detroit Medical Center in December 1996 for charitable, educational, and religious purposes. The Fund supports the overall healthcare and social welfare needs of the Jewish and general communities in the Greater Detroit Metropolitan Area.

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### **NOTE 2 - Summary of Significant Accounting Policies**

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#### *Basis of Accounting*

The financial statements of the Fund are prepared on the accrual basis.

#### *Classification of Net Assets*

Net assets of the Fund are classified based on the presence or absence for donor imposed restrictions.

**Net assets without donor restrictions:** Net assets that are not subject to donor imposed or the donor imposed restriction has expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Fund.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Fund or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue and other support are reported as an increase in net assets without donor restrictions unless the donation is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed stipulations that simultaneously increase one category of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Contributions and endowment income with donor-imposed restrictions that are met in the same year as received or earned are reported as net assets without donor restrictions revenue. Contributions and endowment income with donor-imposed restrictions that are not met in the same year as received or earned are reported as net assets with donor restrictions revenue and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction or the specified events have occurred.

Grants payable represent awards to certain community organizations as of the reporting date with payments made generally throughout the next year. Grant expense is recorded when the awards are approved by the board of directors of the Fund. Any awards granted in a previous year and released from payment are reflected within other income on the statements of activities and changes in net assets.

# THE JEWISH FUND

## NOTES TO FINANCIAL STATEMENTS May 31, 2019 and 2018

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### **NOTE 2 - Summary of Significant Accounting Policies (continued)**

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#### *Cash and Cash Equivalents*

The Fund defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

The Fund maintains an account with the bank which at times may exceed federally insured limits. The Fund has not experienced any losses in such accounts.

#### *Investments*

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

The Fund makes various investments with a group of 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 a similar financial data provider. Fair values as of May 31, 2019 and 2018 are based on monthly valuations provided by the managers of the Fund. Management, in coordination with the Fund's investment consultant and the UJF investment committee, 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 recorded 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 the Fund's limited interest in these investments, the Fund's risk with respect to such transactions is limited to its capital balance in each investment.

Net realized and unrealized gains and losses on investment transactions for the year are included in the statements of activities and changes in net assets.



# THE JEWISH FUND

## NOTES TO FINANCIAL STATEMENTS May 31, 2019 and 2018

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### **NOTE 2 - Summary of Significant Accounting Policies (continued)**

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#### *Contributions Receivable*

Contributions receivable are comprised of grants from funding agencies for use in the Fund's activities. The Fund has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

#### *Grant Revenue*

Grant revenue received for grants determined to be exchange transactions is recognized as services are provided. Grant money received in excess of that earned is recorded as deferred revenue.

#### *Tax-Exempt Status*

The Fund is a Michigan not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Fund and recognize a tax liability if the Fund has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. The Fund's management believes that the Fund continues to operate in a manner that preserves its tax-exempt status.

#### *Risks and Uncertainties*

The Fund holds 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 affect investment balances and the amounts reported in the statements of financial position and the statements of activities and changes in net assets.

#### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

#### *Subsequent Events*

The Fund has evaluated subsequent events occurring through September 23, 2019, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the Fund's financial statements.

#### *Adoption of New Accounting Pronouncement*

As of June 1, 2018, applied retrospectively to all years presented, the Fund adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported

# THE JEWISH FUND

## NOTES TO FINANCIAL STATEMENTS May 31, 2019 and 2018

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### **NOTE 2 - Summary of Significant Accounting Policies** (continued)

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by the Fund, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general expenditures and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information for the year ended May 31, 2018 has been restated, as follows: net assets of \$6,662,475 previously reported as temporarily restricted net assets and net assets of \$2,227,824 previously reported as permanently restricted net assets have been combined into net assets with donor restrictions.

# THE JEWISH FUND

## NOTES TO FINANCIAL STATEMENTS May 31, 2019 and 2018

### NOTE 3 - Fair Value of Financial Instruments

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 Fund uses 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 Fund attempts to utilize valuation methods that maximize the use of observable inputs. Based on the observability of the inputs used in the valuation methods, the Fund is required to provide the following information according to the fair value hierarchy. The Fund's 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, 2019 and 2018.

The Fund holds Level 1 investments in various equity and fixed-income investments that are publicly traded securities. Fair values are based on quoted market prices in active markets for identical assets or liabilities. The Fund also holds investments where fair value is measured using net asset value per share (or its equivalent) as a practical expedient. The Fund's investments valued at Net Asset Value (NAV) are not included in the fair value hierarchy.

The following provides information about the attributes of certain alternative investments:

Investment Type	Investment Objective	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity Mutual Funds	Equity mutual funds valued at NAV include investments in closed funds which can be redeemed daily based on net asset values (NAV) provided by the fund managers. The organization has no unfunded commitments for these funds as of May 31, 2019 and 2018, and there are no liquidity restrictions placed on these funds.	None	N/A	N/A
Debt Mutual Funds	Debt mutual funds valued at NAV include investments in closed funds which can be redeemed daily based on net asset values (NAV) provided by the fund managers. The organization has no unfunded commitments for these funds as of May 31, 2019 and 2018, and there are no liquidity restrictions placed on these funds.	None	N/A	N/A
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. Approximately 57 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.	None	Monthly – Biennially	30-120 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.	\$1,956,261	N/A	N/A
Liquid Limited Partnerships	Invest directly in publicly traded securities through a commingled vehicle. The funds within this category offer daily liquidity.	None	N/A	N/A

# THE JEWISH FUND

## NOTES TO FINANCIAL STATEMENTS May 31, 2019 and 2018

### **NOTE 3 - Fair Value of Financial Instruments** (continued)

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

	May 31, 2019		
	Total	Level 1	Valued at NAV
Investments:			
Money market fund	\$ 1,716,747	\$ 1,716,747	\$ -
Mutual funds:			
Equity	24,934,997	22,615,194	2,319,803
Debt	1,632,910	1,632,910	-
Multi-strategy	90,343	90,343	-
Real assets	2,935,818	2,935,818	-
Liquid Limited Partnerships -			
Equity	5,464,648	-	5,464,648
Alternative investments:			
Direct hedge fund	17,779,396	-	17,779,396
Private equity	4,456,778	-	4,456,778
Total investments	<u>\$ 59,011,637</u>	<u>\$ 28,991,012</u>	<u>\$ 30,020,625</u>
	May 31, 2018		
	Total	Level 1	Valued at NAV
Investments:			
Money market fund	\$ 2,355,594	\$ 2,355,594	\$ -
Mutual funds:			
Equity	24,859,806	21,864,534	2,995,272
Debt	1,582,634	1,582,634	-
Multi-strategy	89,735	89,735	-
Real assets	3,032,617	3,032,617	-
Liquid Limited Partnerships -			
Equity	6,823,777	-	6,823,777
Alternative investments:			
Direct hedge fund	17,335,612	-	17,335,612
Private equity	5,180,748	-	5,180,748
Total investments	<u>\$ 61,260,523</u>	<u>\$ 28,925,114</u>	<u>\$ 32,335,409</u>

# THE JEWISH FUND

## NOTES TO FINANCIAL STATEMENTS May 31, 2019 and 2018

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### NOTE 4 - Investments

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Investment income includes the following:

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 1,557,579	\$ 1,233,554
Realized gains	164,500	3,112,814
Management fees	<u>(107,486)</u>	<u>(97,426)</u>
Total	<u>\$ 1,614,593</u>	<u>\$ 4,248,942</u>

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### NOTE 5 - Transactions with Affiliates

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The Jewish Fund and the Jewish Federation of Metropolitan Detroit (the "Federation") have entered into a management agreement whereby the Federation provides administrative support to the Fund for an agreed-upon fee. Such fees were \$330,000 and \$300,000 for the fiscal years ended May 31, 2019 and 2018, respectively.

Grants paid directly to the Federation were \$328,531 and \$441,574 and indirect grant expenses paid to other affiliated entities were \$1,202,150 and \$1,192,318 for the fiscal years ended May 31, 2019 and 2018, respectively. The Fund has grants payable to the Federation of \$146,317 and \$182,213 and to other affiliated entities of \$78,500 and \$228,061 as of May 31, 2019 and 2018, respectively.

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### NOTE 6 - Endowment Funds

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The Fund's endowment includes both donor restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

**Interpretation of Relevant Law** - The Fund is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Fund had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor restricted endowment funds, the Fund considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Fund has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

# THE JEWISH FUND

## NOTES TO FINANCIAL STATEMENTS May 31, 2019 and 2018

### **NOTE 6 - Endowment Funds** (continued)

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

Endowment net asset composition by type of fund as of May 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	\$ 49,749,095	\$ -	\$ 49,749,095
Donor-restricted			
Original donor-restricted gift amount required to be maintained in perpetuity by the donor	-	2,227,824	2,227,824
Accumulated investment gains	-	5,808,594	5,808,594
Gifts restricted for special purpose	-	918,700	918,700
Total funds	\$ 49,749,095	\$ 8,955,118	\$ 58,704,213

Endowment net asset composition by type of fund as of May 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	\$ 51,882,710	\$ -	\$ 51,882,710
Donor-restricted			
Original donor-restricted gift amount required to be maintained in perpetuity by the donor	-	2,227,824	2,227,824
Accumulated investment gains	-	6,063,000	6,063,000
Gifts restricted for special purpose	-	599,475	599,475
Total funds	\$ 51,882,710	\$ 8,890,299	\$ 60,773,009

Changes in endowment net assets for the year ended May 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, May 31, 2018	51,882,710	8,890,299	60,773,009
Grants and contributions	-	1,367	1,367
Net investment income	976,992	176,748	1,153,740
Other income	44,268	-	44,268
Appropriation of endowment assets for expenditure	(3,154,875)	(113,296)	(3,268,171)
Endowment net assets, May 31, 2019	\$ 49,749,095	\$ 8,955,118	\$ 58,704,213

# THE JEWISH FUND

## NOTES TO FINANCIAL STATEMENTS May 31, 2019 and 2018

### **NOTE 6 - Endowment Funds** (continued)

Changes in endowment net assets for the year ended May 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, May 31, 2017	52,056,791	8,822,722	60,879,513
Grants and contributions	-	9,078	9,078
Net investment income	2,813,186	487,600	3,300,786
Other income	83,161	-	83,161
Appropriation of endowment assets for expenditure	(3,070,428)	(429,101)	(3,499,529)
Endowment net assets, May 31, 2018	\$ 51,882,710	\$ 8,890,299	\$ 60,773,009

**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 requires the Fund to retain as a fund of perpetual duration. There were no such deficiencies in the endowment funds as of May 31, 2019 and 2018.

**Return Objectives and Risk Parameters** - The Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Fund's 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 Fund 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 its long-term rate-of-return objectives, the Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - The Fund has a policy of appropriating for grants each year 5% of the endowment base. The endowment base is defined as the three-year moving average of the fair value of the total endowment portfolio (calculated as of the last day of each of the previous 12 quarters). In establishing this policy, the Fund considered the long-term expected return on its endowment. Accordingly, over the long term, the Fund expects the current spending policy to allow its endowment to grow at an average of approximately 2.50% annually. This is consistent with the Fund's 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 investment return.

# THE JEWISH FUND

## NOTES TO FINANCIAL STATEMENTS May 31, 2019 and 2018

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### NOTE 7 – Net Assets with Donor Restrictions

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Net assets with donor restrictions are restricted for the following purposes as of May 31:

	<u>2019</u>	<u>2018</u>
Endowments:		
Healthcare and social welfare of general community	\$ 6,970,942	\$ 6,909,820
Research	894,298	945,208
Vision	1,004,535	1,005,202
Teen foundation board	<u>85,343</u>	<u>30,069</u>
Net assets with donor restrictions	<u>\$ 8,955,118</u>	<u>\$ 8,890,299</u>

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### NOTE 8 - Functional Expenses

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The Fund provides grants to the Jewish and general communities in the Greater Detroit Metropolitan Area. Expenses related to providing these services are as follows as of May 31:

	<u>2019</u>	<u>2018</u>
Program services:		
Grants	\$ 2,774,600	\$ 3,030,401
Teen foundation board	<u>96,180</u>	<u>91,736</u>
Total program services	2,870,780	3,122,137
Support services:		
Administrative fee	330,000	300,000
Meetings and events	20,034	26,656
Audit and tax services	15,900	15,400
Professional services	13,381	18,743
Dues and subscriptions	8,790	8,586
Insurance	5,199	4,896
Office expense	<u>4,087</u>	<u>3,111</u>
Total support services:	397,391	377,392
Total expenses	<u>\$ 3,268,171</u>	<u>\$ 3,499,529</u>

The costs of providing the program and support services are reported on a functional basis. Costs are directly applied to either programs or support services on an actual basis.



# THE JEWISH FUND

## NOTES TO FINANCIAL STATEMENTS May 31, 2019 and 2018

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### **NOTE 9 - Liquidity and Availability of Resources**

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All of the Fund's assets consist of financial assets (cash and cash equivalents and investments). The programs and supporting services of the Fund are supported by the earnings from these financial assets. 85% or \$49.7 million of the Fund's net assets as of May 31, 2019, were without donor restrictions, but are designated by the board as quasi endowment funds. The Fund has adopted a spending policy to appropriate grants from the board designated funds (refer to Note 6), but all of the board designated funds could be made available if necessary.

Of the financial assets at May 31, 2019, all are available to meet cash needs for general expenditure with the exception of investments which contain lock-up provisions of \$12,653,766 at May 31, 2019 (see Note 3 for investment disclosures), and endowment funds required by the donor to be held in perpetuity of \$2,227,824.

As part of the Fund's liquidity management strategy, the Fund structures its financial assets to be available as the grants, general expenditures, and other obligations come due. Cash withdrawals from the managed investment pool normally coincide with the grant distributions, but may be adjusted higher or lower based on the timing of gift receipts, operating expenses and other factors affecting available cash.

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### **NOTE 10 - Subsequent Event**

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As of June 1, 2019, the Fund has committed to providing grants of approximately \$2,600,000.

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### **NOTE 11 - Upcoming Accounting Pronouncement - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made**

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In June 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Funds' year ending May 31, 2020 and will be applied on a modified prospective basis. The Fund does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.