Jewish Federation Council of Greater Los Angeles

Financial Statements
For the Year Ended December 31, 2016
(With Summarized Financial Information
For the Year Ended December 31, 2015)

Jewish Federation Council of Greater Los Angeles
Index
December 31, 2016
(With Summarized Financial Information For the Year Ended December 31, 2015)

Independent Auditor's Report

To the Board of Directors
Jewish Federation Council of Greater Los Angeles

We have audited the accompanying financial statements of Jewish Federation Council of Greater Los Angeles, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Jewish Federation Council of Greater Los Angeles as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Jewish Federation Council of Greater Los Angeles's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Los Angeles, California
June 28, 2017

Jewish Federation Council of Greater Los Angeles
Statements of Financial Position
December 31, 2016
(With Summarized Financial Information at December 31, 2015)

	2016	2015
Assets		
Cash and cash equivalents	$ 27,137,000	$ 21,155,000
Investments (Note 3)	79,792,000	80,931,000
Pledges receivable, net (Note 4)	8,385,000	11,484,000
Notes and other receivables, net (Note 5)	891,000	1,243,000
Loan receivable (Note 6)	7,000	3,046,000
Other assets (Note 7)	17,090,000	14,646,000
Land, buildings and equipment, net (Note 8)	14,173,000	15,720,000
Total assets	**$ 147,475,000**	**$ 148,225,000**
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 2,133,000	$ 2,476,000
Other liability (Note 7)	16,423,000	13,906,000
Employee benefits	2,207,000	2,277,000
Insurance-related liabilities	971,000	1,117,000
Grants payable to Jewish Federations of North America	5,810,000	6,046,000
Grants payable to partner organizations	6,621,000	7,772,000
Total liabilities	34,165,000	33,594,000
Net Assets		
Unrestricted		
Undesignated	17,134,000	18,551,000
Reserves (Note 13)	70,259,000	71,553,000
Total unrestricted	87,393,000	90,104,000
Temporarily restricted (Note 12)	20,604,000	19,614,000
Permanently restricted (Note 12)	5,313,000	4,913,000
Total net assets	113,310,000	114,631,000
Total liabilities and net assets	**$ 147,475,000**	**$ 148,225,000**

See Notes to Financial Statements

Jewish Federation Council of Greater Los Angeles
Statements of Activities and Changes in Net Assets
Year Ended December 31, 2016
(With Summarized Financial Information For the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
Support and Revenue					
Support					
Pledges, net	$ 33,060,000	$ 9,663,000	$ 400,000	$ 43,123,000	$ 44,764,000
Legacies, bequests, grants and other contributions	1,171,000	-	-	1,171,000	2,345,000
Amounts designated by donors for specific organizations	328,000	-	-	328,000	804,000
Total amounts raised	34,559,000	9,663,000	400,000	44,622,000	47,913,000
Less, amounts designated by donors	(328,000)	-	-	(328,000)	(804,000)
Total support	34,231,000	9,663,000	400,000	44,294,000	47,109,000
Revenue					
Fees from program services	149,000	24,000	-	173,000	205,000
Government grants	346,000	48,000	-	394,000	371,000
Dividends and interest	1,146,000	61,000	-	1,207,000	1,213,000
Net realized and unrealized gains (losses) on investment	2,335,000	417,000	-	2,752,000	(2,962,000)
Other	189,000	3,000	-	192,000	84,000
Total revenue	4,165,000	553,000	-	4,718,000	(1,089,000)
Net assets released from restrictions	9,226,000	(9,226,000)	-	-	-
Total support and revenue	47,622,000	990,000	400,000	49,012,000	46,020,000
Expenses					
Program services	37,683,000	-	-	37,683,000	38,668,000
Fundraising	9,393,000	-	-	9,393,000	10,022,000
Management and general	3,257,000	-	-	3,257,000	3,409,000
Total expenses	50,333,000	-	-	50,333,000	52,099,000
Change in net assets	(2,711,000)	990,000	400,000	(1,321,000)	(6,079,000)
Net assets					
Beginning of year	90,104,000	19,614,000	4,913,000	114,631,000	120,710,000
End of year	$ 87,393,000	$ 20,604,000	$ 5,313,000	$ 113,310,000	$ 114,631,000

See Notes to Financial Statements

Jewish Federation Council of Greater Los Angeles
Statements of Functional Expenses
Year Ended December 31, 2016
(With Summarized Financial Information For the Year Ended December 31, 2015)

	Program Services	Fundraising	Management and General	2016	2015
Programs, Allocations and Expense					
Salaries	$ 7,808,000	$ 5,070,000	$ 1,005,000	$ 13,883,000	$ 13,679,000
Employee health and retirement benefits	1,289,000	1,212,000	271,000	2,772,000	2,593,000
Payroll taxes and workers' compensation	615,000	380,000	73,000	1,068,000	1,092,000
	9,712,000	6,662,000	1,349,000	17,723,000	17,364,000
Allocations to Jewish Federations of North America programs and support:					
Annual	5,810,000	-	-	5,810,000	6,046,000
Other	2,865,000	-	-	2,865,000	2,785,000
Israel in crisis	343,000	-	-	343,000	300,000
Allocations and grants to partner organizations	13,337,000	-	-	13,337,000	15,529,000
Professional fees	1,362,000	48,000	235,000	1,645,000	1,193,000
Temporary labor	112,000	144,000	78,000	334,000	342,000
Supplies	112,000	94,000	79,000	285,000	286,000
Telephone	222,000	176,000	147,000	545,000	404,000
Postage and shipping	96,000	89,000	8,000	193,000	251,000
Equipment repairs and maintenance	141,000	115,000	204,000	460,000	815,000
Printing, publications and public relations	402,000	354,000	10,000	766,000	904,000
Conference, meetings and travel	1,143,000	94,000	130,000	1,367,000	731,000
Special event expense	154,000	975,000	9,000	1,138,000	1,508,000
Telemarketing	-	44,000	-	44,000	61,000
Occupancy expense	612,000	312,000	170,000	1,094,000	1,021,000
Depreciation and amortization	1,134,000	119,000	454,000	1,707,000	1,634,000
Miscellaneous expense	126,000	167,000	384,000	677,000	925,000
	$ 37,683,000	$ 9,393,000	$ 3,257,000	$ 50,333,000	$ 52,099,000

See Notes to Financial Statements

Jewish Federation Council of Greater Los Angeles
Statements of Cash Flows
Year Ended December 31, 2016
(With Summarized Financial Information For the Year Ended December 31, 2015)

	2016	2015
Cash flows from operating activities		
Changes in net assets	$ (1,321,000)	$ (6,079,000)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	1,707,000	1,634,000
Provision for doubtful accounts	578,000	2,485,000
Net realized and unrealized losses (gains) on investments	(2,752,000)	2,962,000
Reinvested interest and dividends from investments	(1,095,000)	(1,032,000)
Payment of pledges receivable with securities	(3,134,000)	(2,382,000)
Cash designated by donors for specific organizations	328,000	804,000
Cash disbursements designated by donors for specific organization	(328,000)	(804,000)
Changes in assets and liabilities		
Pledges receivable	5,655,000	(19,000)
Notes and other receivables	352,000	285,000
Other assets	73,000	101,000
Accounts payable and accrued expenses	(343,000)	288,000
Employee benefits	(70,000)	68,000
Insurance-related liabilities	(146,000)	(209,000)
Grants payable to Jewish Federations of North America	(236,000)	76,000
Grants payable to partner organizations	(1,151,000)	(454,000)
Net cash used in operating activities	(1,883,000)	(2,276,000)
Cash flows from investing activities		
Purchase of investments	(2,543,000)	(5,398,000)
Proceeds from sales of investments	7,382,000	6,050,000
Purchase of Israel bonds	(115,000)	(92,000)
Proceeds from sales and maturities of Israel bonds	262,000	139,000
Repayments of principal on loan receivable	3,039,000	3,781,000
Purchase of building and equipment	(160,000)	(604,000)
Net cash provided by investing activities	7,865,000	3,876,000
Net increase in cash and cash equivalents	5,982,000	1,600,000
Cash and cash equivalents		
Beginning of the year	21,155,000	19,555,000
End of the year	$ 27,137,000	$ 21,155,000
Supplemental disclosure of cash flow information		
Donated securities	$ 3,134,000	$ 2,382,000

See Notes to Financial Statements

1. Organization and Operations

The Jewish Federation Council of Greater Los Angeles ("the Federation") serves to mobilize and integrate human, financial, and organizational resources within the Greater Los Angeles Jewish community, to foster a sense of common Jewish purpose, to strengthen institutions in order to enhance Jewish identity, to meet critical human needs in a Jewish context, to intensify bonds with the people of Israel and Jews worldwide and to implement the purposes set forth in its Articles of Incorporation. The Federation headquarters are located in Los Angeles, California with additional locations in Woodland Hills, California and Jerusalem, Israel.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements include the accounts of the Federation and do not include the accounts of the partner organizations, nor do they include the accounts of the Jewish Community Foundation of the Jewish Federation Council of Greater Los Angeles ("the Foundation"), of which the Federation is the sole member.

The financial statements of the Federation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Significant accounting policies followed are described below.

Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. The footnotes do not contain prior-year information. Accordingly, such information should be read in conjunction with the Federation's financial statements for the year ended December 31, 2015 from which the summarized information was derived.

Net Assets

Permanently Restricted Net Assets – are restricted by donors in perpetuity as endowments.

Temporarily Restricted Net Assets – are restricted by donors for specific purposes, or are restricted for use in specific future periods, or are subject to both a purpose and a time restriction.

Unrestricted Net Assets – are currently available for use by the Federation and are designated by the Board of Directors either for specific purposes or for investment.

Use of Estimates in the Preparation of Financial Statements

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

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less. The Federation classifies all cash and cash equivalents held as part of the investment portfolio as investments.

2. Summary of Significant Accounting Policies (continued)

Concentration of Risk

The Federal Deposit Insurance Corporation ("FDIC") protects the first $250,000 of invested cash at certain financial institutions. As of December 31, 2016, the Federation's cash and cash equivalents were approximately $24,835,000 in excess of FDIC insurance limits. Additionally, invested cash and cash equivalents were held in custody of financial institutions in excess of the FDIC insurance limits. The majority of these funds were in an interest bearing sweep account at a bank. The Federation performs ongoing evaluations of the financial institutions to limit its concentration of credit risk exposure. Concentrations of credit risk with respect to pledges receivable are limited as amounts are due from various individuals, foundations, and other organizations. Some of the Federation's investments are managed by the Foundation. At December 31, 2016, the fair value of the Federation's investments managed by the Foundation was $38,110,000.

Investments

Investments are stated at fair value based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as discussed in Note 3.

Investments include money market funds held at the end of the year. State of Israel bonds are reported at fair value, including the consideration of the bond's face value, interest rate, maturity and risk. It is the practice of the Federation to redeem State of Israel bonds at maturity. Purchase and sales of securities are recorded on trade dates. There were no outstanding purchases or sales transactions at December 31, 2016.

The Federation invests donor bequests in the Reserves, a Board-designated fund, which is held in custody at a commercial bank and invested with the Foundation. Additionally, certain other temporarily restricted and permanently restricted endowments are invested with the Foundation. Substantially all of the assets managed by the Foundation are invested in the Common Investment Pool ("CIP"). The CIP is invested in marketable securities and alternative investments to generate operating income and to preserve capital. The value of the CIP assets held by the Federation is reported based on its percentage of investment in relation to the entire pool. Because CIP is not traded on a ready market, the estimate of its fair value may differ from the value that would have been used had a ready market for this investment existed.

Interest and dividend income and realized and unrealized gains and losses on investments are reported in the statement of activities and changes in net assets as increases or decreases to unrestricted net assets unless their use is restricted by donor stipulations or law.

The values assigned to investments are based upon available information as of the date of the statement of financial position and do not necessarily represent amounts which might ultimately be realized since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated. These differences could be material.

Land, Buildings and Equipment

Land, buildings and equipment used in the operations of the Federation are stated at cost or at fair value at the date of donation, if donated. Buildings and equipment are depreciated on a straight-line basis over the estimated useful lives of the respective assets, generally 5 to 10 years for furniture, fixtures and equipment, 25 years for buildings, 15 years for building improvements, 3 years for computer hardware, and 5 years for computer software.

2. Summary of Significant Accounting Policies (continued)

Land, Buildings and Equipment (continued)

Leasehold improvements are amortized over the shorter of the term of the lease or the useful life of the asset. Upon disposition of assets, the cost and related accumulated depreciation is removed with the resulting gain or loss recognized in unrestricted net assets.

Donated Assets

Substantially all of the Federation's donated assets are contributed securities received in satisfaction of pledges receivable. The Federation sells all contributed securities as soon as possible. Prior to sale, contributed securities are valued at fair value based on quoted market prices. For the year ended December 31, 2016, securities contributed to the Federation totaled $3,134,000. As of December 31, 2016, $325,000 in contributed securities was reported in the statement of financial position in notes and other receivables.

Agency Transactions

The Federation receives contributions in certain transactions where it is acting as an intermediary for donors who choose to make contributions to other charitable entities, including partner organizations. For the year ended December 31, 2016, $328,000 was designated by donors for eligible organizations. As of December 31, 2016, all amounts were distributed.

Revenue Recognition

Contributions, including unconditional pledges, investment income and net realized and unrealized gains or losses, are recognized as support and revenues and are reported in the statement of activities and changes in net assets. Pledge revenues are recognized when the pledge is made. Unconditional pledges with payments due in future periods are reported as restricted contributions when the promises are received.

Union Agreement

Certain Federation employees are members of a union which is operating under a signed collective bargaining agreement effective through June 30, 2019.

Functional Expenses

Program expenses consist of costs incurred in connection with providing services and conducting programs in broad thematic areas including service to the needy, Jewish education, including education about Jewish issues, and leadership development. The Federation works with partner organizations, the Jewish Federations of North America ("JFNA") and others in addition to providing services directly, to accomplish the delivery of program services. Program expenses include all directly charged expenses and an allocation of indirect management and general costs.

Fundraising expenses include direct development costs, salaries and related expenses of conducting campaigns and accounting for pledge transactions and payments, as well as an allocation of indirect management and general costs.

Management and general expenses include costs incurred in connection with the overall activities of the organization which are not specifically allocable to another functional expense category. The allocation of shared costs across functional categories is accomplished by applying allocation metrics such as building square footage, headcount, or revenues that correspond to related groupings of expenditures.

2. Summary of Significant Accounting Policies (continued)

Occupancy Expense

Occupancy expense is presented net of rental revenue. For the year ended December 31, 2016, occupancy expenses in the amount of $2,886,000 exceeded revenue by $1,094,000 and is reported net in the statement of activities and changes in net assets as rent expense. As described in Note 14, certain partner organizations receive a subvention in satisfaction of the payment of rent.

Program Expenses

The Federation provides support in the form of personnel dedicated to providing program services and funding distributed directly to partner organizations, JFNA and other grantees, and for other expenses in the course of providing program support. The allocation expense payable to JFNA and the partner organizations as reported on the statement of financial position includes the amount committed by the Board of Directors for distribution in the next year.

Income Taxes

The Federation is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California Revenue and Taxation Code sections, respectively. Additionally, the Federation has determined that there are no uncertain tax positions that require reporting or disclosure in the financial statements for the year ended December 31, 2016. The Federation's federal and state income tax returns prior to 2013 and 2012, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Federation recognizes interest and penalties associated with tax matters as part of income tax expense and includes accrued interest and penalties with the related tax liability in the statement of financial position.

3. Investments

Investments as of December 31, 2016 comprised the following:

Cash and Cash Equivalents	$	8,168,000
Mutual Funds		
Fixed income - US		8,353,000
Equity		19,213,000
Common Stock - US		3,473,000
Common Stock - Non-US		621,000
State of Israel Bonds		202,000
Alternative Investments		5,261,000
Foundation - Common Investment Pool		34,501,000
	$	79,792,000

The Federation maintains a portfolio of investments for the purpose of furthering its mission over the long term. Invested assets provide resources to meet short-range, mid-range and long-range goals of the organization. In addition, contributors who intend for interest, dividends, appreciation or principal to be used for unrestricted or restricted purposes of the Federation may direct that their donations be invested.

3. Investments (continued)

For the year ended December 31, 2016, investment fees of $277,000 are included with net realized and unrealized gains or losses on investments on the statement of activities and changes in net assets.

Fair Value

The Federation reports investments and other assets and liabilities using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A level is assigned within the fair value hierarchy based on the lowest level of any input that is significant to the fair value measurement.

The three levels of the fair value hierarchy are as follows:

Level 1 Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities that the Federation has the ability to access at the measurement date. These investments include cash and cash equivalents, mutual funds, and common stock.

Level 2 Valuations are based on inputs, including broker quotes, in markets that are not active or for which all significant inputs are either directly or indirectly observable as of the reporting date and fair value is determined through the use of models or other valuation methodologies. These investments include State of Israel bonds.

Level 3 Valuations are based on inputs that are both significant to the fair value measurement and unobservable, as they trade infrequently and therefore have little or no price transparency. The inputs into the determination of fair value require significant management judgment or estimation, and typical investments for this category are privately held investments and partnership interests. These investments include the Foundation CIP.

In estimating fair value of the investments in Level 3, the Federation may use third-party pricing sources or appraisers. In substantiating the reasonableness of the pricing data provided by third parties, the Federation evaluates a variety of factors including review of methods and assumptions used by external sources, recently executed transactions, existing contracts, economic conditions, industry and market developments and overall credit rating.

The following table summarizes the valuation of the Federation's investments by the fair value hierarchy levels as of December 31, 2016:

		Mutual Funds							
	Cash and Cash and Equivalents	Fixed Income US	Equity	Common Stock US	Common Stock Non-US	State of Israel Bonds	Alternative Investments	Common Investment Pool	Total Investment Assets
Level 1	$ 8,168,000	$ 8,353,000	$ 19,213,000	$ 3,473,000	$ 621,000	$ -	$ -	$ -	$ 39,828,000
Level 2	-	-	-	-	-	202,000	-	-	202,000
Level 3	-	-	-	-	-	-	5,261,000	34,501,000	39,762,000
	$ 8,168,000	$ 8,353,000	$ 19,213,000	$ 3,473,000	$ 621,000	$ 202,000	$ 5,261,000	$ 34,501,000	$ 79,792,000

3. Investments (continued)

Fair Value (continued)

The following table summarizes the changes in the fair value of the Federation's investments for the year ended December 31, 2016:

	Level 1	Level 2	Level 3	Total
Balance at December 31, 2015	$ 36,532,000	$ 2,349,000	$ 42,050,000	$ 80,931,000
Dividends and interest	902,000	-	193,000	1,095,000
Realized and unrealized gains, net	667,000	-	2,085,000	2,752,000
Purchases of investments	1,727,000	115,000	816,000	2,658,000
Sales redemptions and distributions	-	(262,000)	(7,382,000)	(7,644,000)
Transfer in	-	-	2,000,000	2,000,000
Transfer out	-	(2,000,000)	-	(2,000,000)
Balance at December 31, 2016	$ 39,828,000	$ 202,000	$ 39,762,000	$ 79,792,000

Unrealized gain included in earnings, attributable to Level 3 investments held at December 31, was $2,211,000 for the year ended December 31, 2016.

The fair value of alternative investments is determined using the best information available, which typically consists of prices received from external managers or other pricing sources, and requires significant management judgment or estimation. Various alternative investments have quarterly or monthly redemptions with 60 days notice. The Federation has no commitment for additional investments.

Common Investment Pool

The CIP is not traded on any public market, and accordingly, there are no observable inputs to the determination of its fair value. For this reason, the CIP is characterized by the Federation as a Level 3 investment. The fair value of the investment in CIP is based on the Federation's proportionate share in the underlying asset balance of the CIP. Generally, the Foundation permits investment in and withdrawal from CIP on a quarterly basis.

However, the CIP is a pooled fund with a large portfolio of investments and a portion of the Federation's investment in the fund is illiquid due to the restrictions on specified investments within the fund. The Federation has no additional commitment to invest in the CIP. Additional information related to the composition of the CIP is provided by the management of the Foundation.

3. Investments (continued)

Common Investment Pool (continued)

As of December 31, 2016 the composition of the CIP was as follows:

Selected Financial Information – Unaudited

Cash and Cash Equivalents	10.1%
Fixed Income	20.7%
US Equity	32.5%
Global Equity	7.6%
Global ex-US Equity	11.9%
Emerging Markets	4.6%
Real Assets	5.4%
Marketable Alternative Investments	3.0%
Non-marketable Alternative Assets	4.2%

Custodial Account

The Federation established a custodial account with a commercial bank for the purpose of managing a portion of the invested assets of the Reserves. Assets of the custodial account at December 31, 2016 totaled $41,480,000.

As of December 31, 2016 the assets of the custodial account were invested as follows:

Selected Financial Information – Unaudited

Cash and Cash Equivalents	11.0%
Equity	54.7%
Fixed Income	20.1%
Alternative Investments	12.7%
Global Securities	1.5%

4. Pledges Receivable

The Federation solicits contributions for the annual and other campaigns. The adjustment to report pledges receivable at fair value includes an estimate for uncollectible pledges receivable of $994,000. At December 31, 2016, the Federation applied treasury corporate discount rates on the day the pledges were received for the annual campaign receivables ranging between 3.24% and 4.63% and approximately 8% for the strategic philanthropy campaigns to reduce the value of pledges receivable by $171,000 to its estimated net present value.

4. Pledges Receivable (continued)

	Annual	Other Campaigns	Total
Due in 2017	$ 6,568,000	$ 1,131,000	$ 7,699,000
Due in 2018 - 2021	1,022,000	829,000	1,851,000
	7,590,000	1,960,000	9,550,000
Less:			
Discount for pledges receivable	(93,000)	(78,000)	(171,000)
Allowance for doubtful accounts	(994,000)	-	(994,000)
Total pledges receivable, net	$ 6,503,000	$ 1,882,000	$ 8,385,000

5. Notes and Other Receivables

Partner organizations, related parties and other community organizations receive support from the Federation. Included with the notes and other receivables are the following balances due from partner organizations and others in the Jewish community at December 31, 2016:

Receivables from partner organizations for payroll related expenses	$ 509,000
Receivables due from brokerage	325,000
Notes and receivables due from others, net	57,000
Total notes and other receivables, net	$ 891,000

Long-term receivables due from partner organizations and long-term receivables due from others are reported net of reserves in the amount of $226,000 and $240,000, respectively.

6. Loan Receivable

For the year ended December 31, 2016, interest received on the loan to the De Toledo High School totaled $59,000. The outstanding balance as of December 31, 2016 was $7,000; the note was paid in full in January 2017.

7. Other Assets and Other Liability

The Federation partnered with the Foundation, Builders of Jewish Education (“BJE”), and five BJE-affiliated Jewish High Schools (“High Schools”) participating in the Jim Joseph Foundation High School Affordability Initiative in an effort to stabilize and incrementally increase the enrollment of students from middle-income families attending these High Schools. The initiative will also assist the High Schools in raising endowment dollars which will build ongoing capacity to support Jewish high school education. The Federation acts as intermediary between the BJE and the Foundation by transferring funds received by BJE from the High Schools for investing in the CIP managed by the Foundation. The High Schools’ $16,423,000 contribution and related liability were reported in other assets and other liability, respectively, as of December 31, 2016.

8. Land, Buildings and Equipment

Land, buildings and equipment as of December 31, 2016 comprised the following:

Land	$ 2,464,000
Buildings and improvements	28,490,000
Automobiles	75,000
Furniture, fixtures and equipment	3,774,000
Computer hardware and software	2,075,000
Fixed assets in progress	144,000
	37,022,000
Less: Accumulated depreciation and amortization	(22,849,000)
Land, buildings and equipment, net	$ 14,173,000

Fully depreciated assets still in use by the Federation amounted to $4,542,000 as of December 31, 2016.

Depreciation and amortization expense for the year ended December 31, 2016 was $1,707,000.

9. Line of Credit

In October 2016, the Federation extended the agreement with a commercial institution to provide a revolving line of credit for $6,000,000. A loan under the line of credit may be extended as a LIBOR loan at the greater of 2.00% or LIBOR plus 2.25% or as a Prime loan at the greater of 2.50% or the fluctuating Prime. The line of credit expired on February 1, 2017 and was further extended to February 1, 2018 in 2017. No loan was outstanding as of December 31, 2016.

The terms of the line of credit require the Federation to maintain minimum asset balances and communicate financial activity on a regular basis. The Federation was in compliance as of December 31, 2016.

10. Retirement Benefit Plans

The Federation is the plan administrator of the Basic Pension Plan for Employees of Jewish Federation Council of Greater Los Angeles, plan number 001 (the “DB Plan”), which is a multi-employer pension plan and covers its employees and those of certain partner organizations registered under the Employer Identification Number 95-1643388. Effective January 1, 2006, under the amended terms of the DB Plan, the DB Plan was closed to new enrollment. The DB Plan is made up of two components: a defined benefit component and an employee contribution component.

Substantially all the benefit-eligible employees of the Federation and the partner organizations hired before January 1, 2006 are participants in the defined benefit component. The DB Plan is subject to a collective bargaining agreement which expires on June 30, 2019. Eligible participants in the defined benefit component may make voluntary contributions to the defined benefit component on an after-tax basis. Participants are fully vested after five years in the defined benefit plan.

10. Retirement Benefit Plans (continued)

During 2004, the Federation established a new defined contribution plan (the “DC Plan”) for employees hired on or after January 1, 2006. The DC Plan provides for the Federation to make a contribution based on 5% of eligible compensation for participants who have served more than one year of eligible service. Participants are fully vested in the DC Plan after three years.

For the year ended December 31, 2016, the Federation contributed $1,351,000 to the DB Plan and $380,000 to the DC Plan.

The DB Plan (unaudited)
The calculated benefits, obligations and funded status of the DB Plan are based on an actuarial determination using census data for eligible participants as of January 1, 2016 for the year ended December 31, 2016 and other assumptions as described in the tables below.

Effective September 1, 1989, the benefit payments are calculated as 1.5% of the participant’s average monthly earnings times credited service since September 30, 1966. Average monthly earnings are defined as the average in the period of five consecutive years in which the sum is the greatest. Eligible participants prior to September 1, 1989 are subject to a separate benefit formula as defined in the DB Plan.

In 2008 the Pension Protection Act created classifications for assessing the financial health of pension plans on a spectrum that requires endangered or critical (worse) plans take steps to improve the financial health of the plan within a specified time period. Because the DB Plan’s funding ratio is greater than 80%, the plan is considered to be in the “green zone” for 2016.

The DB Plan’s projected benefit obligation is $190,625,000 as of December 31, 2016. The DB Plan’s accumulated benefit obligation, as calculated in accordance with specific guidance applicable to sponsors of multi-employer pension, is $184,591,000. The DB Plan is underfunded in the amount of $85,805,000 as of December 31, 2016. The DB Plan’s net periodic benefit cost is $7,709,000. The attached tables further describe changes in the benefit obligation, changes in the plan assets and the components of the net periodic benefit cost.

Through 2016, the Federation and the local participating agencies were required to make contributions based upon a percentage of pension eligible wages to meet or exceed the actuarially determined minimum funding requirement. During 2016, the contribution percentage was 34.8%.

Effective January 1, 2017, to ensure the most equitable allocations among participating agencies, the Federation and local agencies will contribute based on a new allocation policy. Each agency’s contribution allocation will be the sum of the agency’s normal cost for the year, a share of the total amortization payment, based on each agency’s percentage of the plan’s total actuarial liability, and a share of the total assumed operating expenses of the plan.

For the year ending December 31, 2017, the Federation and the partner organizations expect to contribute $5,820,000 to the DB Plan.

10. Retirement Benefit Plans (continued)

The DB Plan (unaudited) (continued)

The following table sets forth the DB Plan's funded status as a whole, as of December 31, 2016:

Changes in benefit obligation	
Benefit obligation at beginning of year	$ 182,484,000
Service cost	2,703,000
Interest cost	8,034,000
Actuarial gain	6,304,000
Benefits paid	(8,096,000)
Administrative expenses paid	(804,000)
Benefit obligation at end of year	$ 190,625,000

Changes in plan assets	
Fair value of plan assets at beginning of year	$ 102,119,000
Actual return on plan assets	5,287,000
Employer contribution	6,314,000
Benefits paid	(8,096,000)
Administrative expense paid	(804,000)
Fair value of plan assets at end of year	104,820,000
Funded status	$ (85,805,000)

Components of net periodic benefit cost for the DB Plan as a whole, for the year ended December 31, 2016, comprised the following:

Components of net periodic benefit cost	
Service cost	$ 2,703,000
Interest cost	8,034,000
Expected return on plan assets	(7,808,000)
Recognized net actuarial loss	4,780,000
Net periodic benefit cost	$ 7,709,000

Weighted-average assumptions used to determine benefit obligations for the DB Plan as of December 31, 2016 are the following:

Assumptions	
Discount rate	4.50%
Rate of compensation increase	3.00%
Expected return on plan assets	8.00%

10. Retirement Benefit Plans (continued)

The DB Plan (unaudited) (continued)

The year-end asset allocation, which approximates the weighted-average allocation for the DB Plan assets as of December 31, 2016, by asset category is as follows:

Asset allocation	
Global equities	18%
Small and mid domestic equities	23%
Fixed income and cash	35%
Alternative investments	23%

The table below indicates the target percentages for each of the major asset categories, which serve as guidelines for the DB Plan:

Targets for major asset categories	
Global equities	25%
Small and mid domestic equities	25%
Fixed income and cash	40%
Alternative investments	10%

The portfolio is evaluated annually, or when the actual allocation percentages are plus or minus 5% of the stated target allocation percentages. Changes in policy may be indicated as a result of changing market conditions or anticipated changes in the DB Plan's needs. Prohibited transactions include investment transactions prohibited by the Employee Retirement Income Security Act of 1974 and speculative investments including commodities or unregistered stock without specific prior approval by the Board of Directors.

The DB Plan's estimated future benefit payments for the years ending December 31 are as follows:

Estimated future benefit payments	
2017	$ 9,451,000
2018	10,063,000
2019	10,206,000
2020	10,699,000
2021	11,377,000
2022 through 2026	60,344,000

10. Retirement Benefit Plans (continued)

The DB Plan (unaudited) (continued)

The estimated future benefit payments were estimated using the same assumptions to measure the DB Plan's benefit obligation at the end of the year and includes estimated future employee service.

Fair Value DB Plan Assets (unaudited)
As described in Note 3, the Federation uses a hierarchy to report invested assets, including the invested assets of the DB Plan. As described below, the DB Plan holds an investment in an insurance contract that is properly reported at contract value. The insurance certificates under this contract are issued for participants who have retired prior to April 1, 1998. The certificates require the funds be invested in a portfolio managed by the insurance company. The alternative investments are private equity investments valued based on net asset value.

The alternative investments may be liquidated without significant restriction and the DB Plan has no commitment for additional investments in the alternative investments.

The following table summarizes the valuation of the DB Plan's investments by the fair value hierarchy levels as of December 31, 2016:

	Cash and Cash and Equivalents	Common Stock and Mutual Funds	Alternative Investments	Insurance Contracts	Total Invested Assets
Level 1	$ 2,974,000	$ 69,797,000	$ -	$ -	$ 72,771,000
Level 2	-	-	-	-	-
Level 3	-	-	24,598,000	-	24,598,000
Fair Value	2,974,000	69,797,000	24,598,000	-	97,369,000
Contract Value	-	-	-	7,463,000	7,463,000
	$ 2,974,000	$ 69,797,000	$ 24,598,000	$ 7,463,000	$ 104,832,000

The following table summarizes the changes in the fair value and contract value of the DB Plan's assets for the year ended December 31, 2016:

	Level 1	Level 2	Level 3	Insurance Contracts	Total
Balance at December 31, 2015	$ 73,030,000	$ -	$ 22,370,000	$ 6,723,000	$ 102,123,000
Dividends and interest	1,449,000	-	503,000	207,000	2,159,000
Realized and unrealized gains, net	2,633,000	-	571,000	-	3,204,000
Contributions	6,314,000	-	-	-	6,314,000
Benefit payments and distributions	-	-	-	(8,096,000)	(8,096,000)
Expenses	(520,000)	-	(116,000)	(236,000)	(872,000)
Transfer in	-	-	1,270,000	8,865,000	10,135,000
Transfer out	(10,135,000)	-	-	-	(10,135,000)
Balance December 31, 2016	$ 72,771,000	$ -	$ 24,598,000	$ 7,463,000	$ 104,832,000

11. Operating Leases

The Federation entered into a 10-year gross standard lease for its Valley location effective July 2012. The non-cancelable lease expires in 2022. The following is a schedule of future minimal lease payments under the terms of the lease:

Years ending December 31,		
2017	$	216,000
2018		223,000
2019		229,000
2020		236,000
2021		243,000
Thereafter		134,000
Total future payments	$	1,281,000

Rent expense for the year ended December 31, 2016 totaled $243,000.

12. Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2016:

Premier philanthropy	$	1,353,000
Education programs		7,912,000
Community service		1,592,000
Israel programs		988,000
Caring for Jews in Need		742,000
Leadership		2,749,000
Camping		1,286,000
Israel Levin Center		3,531,000
Other		451,000
	$	20,604,000

Temporarily restricted net assets by purpose or time restrictions at December 31, 2016 are as follows:

Restricted for purpose	$	18,016,000
Restricted for purpose, due after 2016		2,588,000
	$	20,604,000

12. Net Assets (continued)

Permanently restricted net assets must be invested to generate income to support the following purposes at December 31, 2016:

Building operations fund	$	2,500,000
Education programs		2,213,000
Lion of Judah		600,000
	$	5,313,000

Undesignated net assets represent those net assets available for current use and assets invested in land, buildings and equipment.

13. Endowment and Reserves

The Federation maintains a portfolio of investments for the purpose of furthering its mission over the long term. The portfolio is composed of unrestricted gifts and bequests and, as such, is reported as Reserves within unrestricted net assets in the statement of financial position.

Bequests that are temporarily or permanently restricted by the gift instrument are excluded from the Board-designated Reserves. Temporarily restricted gifts as permitted by the gift instrument must be expended in satisfaction of the purpose envisioned by the donor. The Federation has permanently restricted endowments as described in Note 12.

The Board of Directors has charged the finance and administration committee which has, in turn, authorized the investment committee to assume responsibility for the oversight and the investment of the Reserves.

The Federation utilizes a spending rule for its Reserves in order to maximize the long-term investments of the fund. The spending rule sets forth the Reserves income to be distributed currently for spending. The Board of Directors has authorized a policy permitting a 5% annual spending rate based on twelve quarters’ weighted average of the invested asset balances. The Federation received a distribution in the amount of $3,486,000 for the year ended December 31, 2016, based on the previous twelve-quarter trailing average at September 30, 2015 and an additional $3,695,000 based on operational needs.

The investment policy for the investments in custody of the Foundation are designed to preserve and enhance the real purchasing power of these funds and to provide a return to meet or exceed the spending distribution as authorized by the various endowment funds. The Foundation uses the CIP as the primary pool to achieve this goal.

13. Endowment and Reserves (continued)

The investment committee has adopted the Foundation's target investment strategy for the CIP by asset class as follows:

Domestic equity	20% - 40%
International equity	2% - 25%
Fixed income, including State of Israel Bonds	10% - 30%
Short-term investments	0% - 10%
Alternative investments	5% - 20%

As described in Note 3, as of December 31, 2016, the portfolio was invested in a manner consistent with these guidelines.

Changes in endowment and reserves net assets for the year ended December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment and reserves net assets, beginning of year	$ 71,553,000	$ 4,317,000	$ 4,913,000	$ 80,783,000
Investment return				
Interest and dividends	913,000	60,000	-	973,000
Net realized and unrealized gains	2,456,000	417,000	-	2,873,000
Contributions	2,518,000	25,000	400,000	2,943,000
Spending distribution	(7,181,000)	(200,000)	-	(7,381,000)
Endowment and reserves net assets, end of year	$ 70,259,000	$ 4,619,000	$ 5,313,000	$ 80,191,000

A description of the endowments and reserves of the Federation as of December 31, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Reserves	$ 70,259,000	$ -	$ -	$ 70,259,000
Lainer endowment	-	4,535,000	2,213,000	6,748,000
Goldsmith endowment	-	84,000	2,500,000	2,584,000
Lion of Judah	-	-	600,000	600,000
Total of investments	$ 70,259,000	$ 4,619,000	$ 5,313,000	$ 80,191,000

14. Related Party Transactions and Deferred Compensation Agreements

As further described in Note 5, the Federation has extended notes and non-interest bearing loans to partner organizations.

Certain executives of the Federation have revocable deferred compensation arrangements. As of December 31, 2016, $124,000 was reported in the statement of financial position as other assets and the related liability in accounts payable and accrued liabilities.

The Federation has month-to-month and limited multi-year lease arrangements with several partner organizations. The lease arrangements expire between 2017 and 2025. Rental income recognized on these arrangements for the year ended December 31, 2016 was $1,792,000, of which $1,581,000 was paid in cash, and is reported net of revenue in the statement of activities and changes in net assets under rent expense.

15. Contingencies

In the normal course of operations, the Federation is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the Federation’s financial position.

16. Subsequent Events

Subsequent events were evaluated from December 31, 2016 through June 28, 2017, which was the date the financial statements were available to be issued.

17. Jewish Community Foundation (Unaudited)

The Federation is the sole member of the Foundation; however, because the Foundation is governed by independent by-laws, independent Board of Directors and independent management, consolidated financial information is not permitted in accordance with US GAAP.

The table below shows selected financial information for the Federation and the Foundation. The information for the Federation is derived from the audited financial statements for the years ended December 31, 2016 and 2015. The information from the Foundation is derived from schedules provided by the Foundation’s management. The Total (Memorandum Only) column represents an aggregation of financial data for the Federation and the Foundation. Data in this column are presented only to facilitate financial analysis and do not present results of operations in accordance with US GAAP. The information is not comparable to a consolidation because the intercompany activity has not been eliminated.

17. Jewish Community Foundation (Unaudited) (continued)

	December 31, 2016 Selected Financial Information		Memorandum Only
	The Federation	Foundation	Total
Total support and revenue	$ 49,012,000	$ 178,789,000	$ 227,801,000
Expenses			
Program services	$ 37,683,000	$ 78,490,000	$ 116,173,000
Management and general	3,257,000	7,551,000	10,808,000
Fundraising	9,393,000	-	9,393,000
	$ 50,333,000	$ 86,041,000	$ 136,374,000

	December 31, 2015 Selected Financial Information		Memorandum Only
	The Federation	Foundation	Total
Total support and revenue	$ 46,020,000	$ 109,615,000	$ 155,635,000
Expenses			
Program services	$ 38,668,000	$ 107,262,000	$ 145,930,000
Management and general	3,409,000	7,109,000	10,518,000
Fundraising	10,022,000	-	10,022,000
	$ 52,099,000	$ 114,371,000	$ 166,470,000