

**JEWISH ALLIANCE OF GREATER
RHODE ISLAND AND AFFILIATES**

**Consolidated Financial Statements
and Supplementary Information**

Year Ended June 30, 2016

(With Independent Auditors' Report Thereon)

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2016

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statement of Financial Position (With Comparative Totals at June 30, 2015)	3
Consolidated Statement of Activities (With Comparative Totals for the year ended June 30, 2015)	4
Consolidated Statement of Cash Flows (With Comparative Totals for the year ended June 30, 2015)	5
Notes to the Consolidated Financial Statements	6
SUPPLEMENTARY INFORMATION (UNAUDITED):	
Consolidated Statements of Functional Expenses for the years ended June 30, 2016 and 2015	25

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jewish Alliance of Greater Rhode Island and Affiliates:

We have audited the accompanying consolidated financial statements of Jewish Alliance of Greater Rhode Island and Affiliates (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jewish Alliance of Greater Rhode Island and Affiliates as of June 30, 2016, and the consolidated 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 the Organization's June 30, 2015 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated December 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements and related notes to the consolidated financial statements from which it has been derived

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated statements of functional expenses on pages 25-26 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

Kahn, Litwin, Rengas & Co., Ltd.

June 8, 2017

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2016

(With Comparative Totals at June 30, 2015)



	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,971,937	\$ 2,676,626
Accounts receivable, net	1,179,521	1,207,509
Pledges receivable, current portion, net	1,800,277	1,844,411
Other receivables	27,368	73,300
Prepaid expenses and other current assets	230,763	283,765
Total current assets	7,209,866	6,085,611
Noncurrent Assets:		
Pledges receivable, less current portion	145,000	150,500
Property and equipment, net	5,226,723	4,208,721
Investments	52,985,806	56,252,484
Other assets	108,818	108,818
Total non-current assets	58,466,347	60,720,523
Total Assets	\$ 65,676,213	\$ 66,806,134
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt	\$ 102,886	\$ 99,451
Accounts payable and accrued expenses	628,305	866,378
Allocations due to other organizations	1,882,370	1,818,925
Deferred revenue	1,497,805	1,631,416
Amounts held for others	47,606	75,700
Other liabilities	21,415	49,083
Total current liabilities	4,180,387	4,540,953
Liabilities under Split-interest Agreements	621,858	737,989
Endowment Funds Held as Agent for Other Communal Entities	6,067,972	6,001,595
Long-term Debt, less current portion	1,994,862	2,096,382
Total liabilities	12,865,079	13,376,919
Net Assets:		
Unrestricted	34,748,541	36,206,096
Temporarily restricted	2,395,476	3,648,935
Permanently restricted	15,667,117	13,574,184
Total net assets	52,811,134	53,429,215
Total Liabilities and Net Assets	\$ 65,676,213	\$ 66,806,134

See accompanying notes to the consolidated financial statements and independent auditors' report.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Change in Net Assets from Operations:					
Revenue and support:					
Contributions and grants	\$ 4,411,756	\$ 1,288,632	\$ 2,473,020	\$ 8,173,408	\$ 4,775,277
Program service fees	1,661,088	-	-	1,661,088	1,532,331
Membership dues	516,798	-	-	516,798	530,941
Advertising sales	198,553	-	-	198,553	222,390
Rental income	62,674	-	-	62,674	73,686
Other income	106,994	-	-	106,994	103,557
Satisfaction of program or time restrictions	1,677,700	(1,677,700)	-	-	-
Appropriation of endowment earnings	1,065,097	-	-	1,065,097	1,376,309
Total revenue and support	9,700,660	(389,068)	2,473,020	11,784,612	8,614,491
Expenses:					
Program	8,558,440	-	-	8,558,440	8,172,462
Administrative	408,773	-	-	408,773	444,115
Fundraising	668,311	-	-	668,311	610,905
Total expenses	9,635,524	-	-	9,635,524	9,227,482
Change in net assets from operations	65,136	(389,068)	2,473,020	2,149,088	(612,991)
Change in Non-operating Net Assets:					
Investment loss	(919,941)	(393,993)	-	(1,313,934)	(78,315)
Appropriation of endowment earnings	(594,699)	(470,398)	-	(1,065,097)	(1,376,309)
Change in value of split interest agreements	(8,051)	-	(380,087)	(388,138)	197,811
Change in non-operating net assets	(1,522,691)	(864,391)	(380,087)	(2,767,169)	(1,256,813)
Change in total net assets	(1,457,555)	(1,253,459)	2,092,933	(618,081)	(1,869,804)
Net assets, beginning of year	36,206,096	3,648,935	13,574,184	53,429,215	55,299,019
Net assets, end of year	\$ 34,748,541	\$ 2,395,476	\$ 15,667,117	\$ 52,811,134	\$ 53,429,215

See accompanying notes to the consolidated financial statements and independent auditors' report.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)



	2016	2015
Cash Flows from Operating Activities:		
Change in total net assets	\$ (618,081)	\$ (1,869,804)
Adjustments to reconcile change in total net assets to net cash used by operating activities:		
Depreciation	466,003	352,767
Net realized and unrealized loss from investments	2,022,449	822,819
Bad debt expense	252,904	101,781
Change in value of split-interest agreements	388,138	(197,811)
Permanently restricted contributions	(2,473,020)	(2,501)
Changes in operating assets and liabilities:		
Accounts receivable	(224,916)	(384,913)
Pledges receivable	49,634	(133,641)
Other receivables	45,932	12,781
Prepaid expenses and other current assets	53,002	(90,372)
Other assets	-	(4,054)
Accounts payable and accrued expenses	(238,073)	208,681
Allocations due to other organizations	63,445	(142,297)
Deferred revenue	(133,611)	483,824
Amounts held for others	(28,094)	52,956
Other liabilities	(27,668)	3,437
Net cash used by operating activities	(401,956)	(786,347)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,484,005)	(2,003,188)
Proceeds from sale of investments	4,826,923	11,688,748
Purchase of investments	(3,904,455)	(8,020,473)
Net cash provided by operating activities	(561,537)	1,665,087
Cash Flows from Financing Activities:		
Principal payments on long-term debt	(98,085)	(94,963)
Permanently restricted contributions	2,473,020	2,501
Change in liabilities under split-interest agreements	(116,131)	(447,104)
Net cash provided (used) by financing activities	2,258,804	(539,566)
Net Increase in Cash and Cash Equivalents	1,295,311	339,174
Cash and Cash Equivalents, beginning of year	2,676,626	2,337,452
Cash and Cash Equivalents, end of year	\$ 3,971,937	\$ 2,676,626
Supplemental Cash Flow Information:		
Cash Paid for Interest During the Year	\$ 74,365	\$ 77,488

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



1. Nature of Operations

The Jewish Alliance of Greater Rhode Island and Affiliates (collectively, the Organization) are not-for-profit corporations organized under the laws of the State of Rhode Island. The Affiliates have separate Boards of Directors, but are controlled by the Jewish Alliance of Greater Rhode Island (the Alliance) as the Alliance is the sole corporate member of each of the Affiliates. The Alliance and Affiliates are consolidated for financial reporting purposes.

The Alliance offers social, cultural, educational, recreational and wellness benefits that strengthen Jewish identity, family life, community and the connection between the local Jewish community and Israel. The Alliance supports many internal and external programs to build a strong, vibrant Jewish community.

The Jewish Federation Foundation of Greater Rhode Island (the Foundation) promotes the welfare of the Jewish community through the support of charitable, cultural, educational and religious organizations, including the Alliance.

Alliance Realty, Inc. (Realty) is the realty entity that owns the land and building out of which the Alliance and Foundation operate.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Organization is presented to assist the reader in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Principles of Consolidation

In accordance with accounting principles generally accepted in the United States of America, these consolidated financial statements include the accounts of the Alliance, the Foundation and Realty. Intercompany transactions, balances and commitments have been eliminated so as not to overstate the consolidated change in net assets and financial position.

Basis of Presentation

The Organization prepares their consolidated financial statements on the accrual basis of accounting and in accordance with authoritative guidance, reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Unrestricted net assets of the Organization include funds which represent unrestricted resources designated by the Board of Directors for specific purposes and donor advised funds.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



Summarized Financial Information

The accompanying consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2015 from which the summarized information was derived.

Performance Indicator

In the accompanying consolidated statement of activities, the primary indicator of the Organization's results is the unrestricted "Change in net assets from operations." As such, it includes all revenue and support and operating expenses. Investment earnings, appropriation of endowment earnings and the change in value of split interest agreements are not included in the performance indicator.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less.

Accounts Receivable

The Organization carries its accounts receivable at net realizable value. On a periodic basis, the Organization evaluates its accounts receivable and establish an allowance for doubtful accounts, based on a history of past bad debt expense, collections and current credit conditions. The allowance for doubtful accounts, based on management's analysis of accounts receivable, was approximately \$162,000 at June 30, 2016.

The Organization does not accrue interest on accounts receivable. A receivable is considered past due if payment has not been received within stated terms. The Organization will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged against the allowance for doubtful accounts.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are discounted and recorded at the net present value of the estimated future cash flows, when the discount is material. The discounts on those amounts are computed using the interest rate for U.S. Government issues with a remaining term equal to the expected future receipts. Accretion of the discount is included in contributions and grants in the consolidated statement of activities. Conditional promises to give are not included in support until such time as the conditions are substantially met.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



The Alliance uses the allowance method to reflect uncollectible pledges receivable. The allowance is based on prior years' collection experience and management's analysis of the specific promises to give at the end of the year (Note 3).

Property and Equipment

The Organization follows the policy of capitalizing as property and equipment all significant purchases of equipment and improvements in excess of \$500. Property and equipment are recorded at cost, and donated assets are recorded at their fair market value as of the date received. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from three to forty years.

Investments and Fair Value

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position.

Authoritative guidance defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The Organization reports investments at fair value on a recurring basis. These investments are classified as levels 1, 2 and 3 within the fair value hierarchy.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



Level 1 investments owned by the Organization and listed on a National Securities Exchange are valued at the last recorded sales price as of the consolidated financial statement reporting date. In the absence of recorded sales, Level 1 investments are valued at the last quoted bid price reported as of the consolidated financial statement reporting date.

Level 2 investment values are determined by obtaining the non-binding market prices from the Organization's third-party portfolio managers as of the consolidated financial statement reporting date. These investments are less actively traded in the market, but quoted market prices exist for similar instruments that are actively traded.

Level 3 investment values are provided by the Organization's fund managers who develop their valuations using assumptions that market participants would use in pricing the assets and liabilities of the fund. These valuations rely on net asset values, monthly statements, and estimates obtained from the underlying fund managers, which are considered unobservable market inputs in accordance with authoritative guidance. In an attempt to mitigate some of the risk associated with this level of investment, the Organization's management periodically tests the asset balances of the individual funds.

Because the Organization uses net asset values (NAV) reported by fund managers as a practical expedient to estimate the fair values of its investments held through limited partnerships and limited liability companies, classification of these investments within the fair value hierarchy is based on the Organization's ability to timely redeem its interest rather than on inputs used. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying funds. However, it is possible that these redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements, as applicable. The Organization classifies those investments with redemption frequencies greater than 30 days at level 3, and those with frequencies of 30 days or less at level 2.

The Organization reports the investments' net realized and unrealized gains and losses at each reporting date in the consolidated statement of activities as a component of investment earnings. Dividends are recorded on the ex-dividend date and interest is recorded on the accrual basis of accounting. Purchases and sales of securities are recorded on the trade date. The average cost method is used to determine the cost on the sale of mutual funds. The first-in, first-out method is used to determine the cost of all other securities. It is the Organization's policy to deduct investment expenses incurred within the portfolio from the investment return. Other investment management fees are included in administrative expenses on the consolidated statement of activities.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



Deferred Revenue

Deferred revenue represents program service fees, membership dues and other revenues that have been collected in advance. These amounts are recognized as revenue in the period in which the revenue is earned.

Amounts Held for Others

The Organization occasionally receives, administers and distributes assets under a fiscal agency arrangement for projects related to its mission. The funds not yet distributed are reflected as a liability, amounts held for others, on the accompanying consolidated statement of financial position.

Endowment Funds Held as Agent for Other Communal Entities

The Foundation holds endowment funds as an agent for other not-for-profit, communal entities and follows the requirements of accounting principles generally accepted in the United States regarding the treatment of such funds. As such, the fair value of the assets held by the Foundation is carried as a liability on the consolidated statement of financial position. The Foundation has legal ownership, but not variance power, of the endowment funds held as agent and carries them at fair value within investments on the consolidated statement of financial position. The endowment funds held as agent are pooled with other investments of the Foundation and investment return is allocated on a monthly basis (Note 9).

Donor Advised Funds

Included in the unrestricted net assets of the Foundation are approximately \$16,664,600 of donor advised funds. These funds have been established by donors who have the right to make recommendations of grants from the funds. The Foundation, in its normal corporate capacity, has the ultimate authority and control over all property in, and income from, the funds for the charitable, educational, and religious purposes of the Foundation. These funds are commingled with the other investments of the Foundation. Any recommendations made by donors or donors' designees are solely advisory, and the Foundation is not bound by such recommendations.

Revenue and Support Recognition:

Contributions and Grants

The Organization recognizes contributions and grants in the fiscal year in which the contribution is made. Contributions are recorded either as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor imposed restrictions. However, it is the policy of the Organization to show temporarily restricted net assets that are both received and expended in the current year directly in unrestricted net assets.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



Program Service Fees, Membership Dues, Advertising Sales, Rental Income and Other Income

The Organization recognizes program service fees and membership dues on a straight-line basis over the term of the program or membership. Advertising sales are recognized in the period of the publication containing the advertisement. Rental income is recognized when the related use of the facility is provided. Other income is recognized when services have been rendered and/or contractual obligations have been met.

Donated Property and Services

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. No such services were received during the year.

Allocation of Expenses

Certain costs of the Organization benefit more than one program and/or support service. Accordingly, these costs have been allocated in a systematic and rational manner among the programs and/or support services benefited based on management estimates.

Allocations and Grants to Other Organizations

Annually, the Alliance allocates a portion of the contributions received through its annual fund to other Jewish organizations, both local and national, to support their programs and operations. The allocations are included in program expenses in the consolidated statement of activities when promised. Amounts not paid prior to year-end are included as allocations due to other organizations on the consolidated statement of financial position and are expected to be paid within one year. The Foundation makes grants to other organizations on a cost reimbursement basis. The grants are included in program expenses in the consolidated statement of activities when paid.

Income Taxes

The Alliance and the Foundation are exempt from income taxes as public charities under Section 501(c)(3) of the Internal Revenue Code. Realty is exempt from income taxes as a supporting organization under Section 501(c)(2) of the Internal Revenue Code. Management believes that all three organizations operate in a manner consistent with their respective tax-exempt status at both the federal and state levels.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



The Organization annually files IRS Form 990 - *Return of Organizations Exempt from Income Tax* reporting various information that the IRS uses to monitor the activities of tax-exempt entities. The Alliance and the Foundation also annually file IRS Form 990-T - *Exempt Organization's Business Income Tax Return* for all of their taxable transactions. These tax returns are subject to review by the taxing authorities, generally for a period of three years after they were filed. The Organization currently has no tax examinations in progress. For the Organization's tax year ended June 30, 2016, there are no income taxes related to taxable sales.

Estimates and Assumptions

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Organization.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which is effective for annual periods beginning after December 15, 2019. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending December 31, 2020. The Organization is currently in the process of evaluating the impact of adoption on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Upon adoption net assets will be reduced to two classes (with and without donor restriction). The standard is effective for annual periods beginning after December 15, 2017, with early adoption permitted and will be applied retrospectively to all periods presented upon adoption. The Organization is currently in the process of evaluating the impact of adoption on the financial statements.

Subsequent Events

Management has evaluated subsequent events through June 8, 2017, which is the date these consolidated financial statements were available to be issued.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



3. Pledges Receivable

Pledges receivable consist of unconditional promises to give from contributors over the next three years to support the Alliance's charitable mission. The promised contributions due are as follows:

Receivable within one year	\$ 2,010,105
Receivable in one to three years	145,000
Total pledges receivable	<u>2,155,105</u>
Less allowance for doubtful accounts	<u>209,828</u>
Total pledges receivable, net	1,945,277
Less current portion, net	<u>1,800,277</u>
 Pledges receivable, less current portion	 <u><u>\$ 145,000</u></u>

4. Property and Equipment

The components of property and equipment are as follows:

Land and land improvements	\$ 307,536
Buildings and improvements	9,365,516
Furniture and equipment	1,610,649
Computer equipment and software	304,453
Construction in progress	<u>1,334,588</u>
	12,922,742
Less accumulated depreciation	<u>7,696,019</u>
 Property and equipment, net	 <u><u>\$ 5,226,723</u></u>

The Organization is in the midst of completing various capital projects to improve their facilities at year-end. In conjunction with these projects, the Organization entered into contracts with various contractors (the Contracts). The total commitments per the Contracts are approximately \$2,606,800, of which approximately \$876,600 was expended during the year ended June 30, 2016. A portion of these expenditures is included in construction in progress at year-end and will be depreciated accordingly once placed into service.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



5. Investments

Investments are presented in the consolidated financial statements at fair value as follows:

	Level 1	Level 2	Level 3	Total
Exchange traded funds	\$ 477,875	\$ -	\$ -	\$ 477,875
Mutual funds	27,758,914	-	-	27,758,914
U.S. government bonds	547,177	-	-	547,177
Foreign bonds	-	1,735,000	-	1,735,000
Limited partnerships and limited liability companies	-	12,420,360	10,046,480	22,466,840
Total investments	<u>\$ 28,783,966</u>	<u>\$ 14,155,360</u>	<u>\$ 10,046,480</u>	<u>\$ 52,985,806</u>

The composition of investment return is as follows:

Interest and dividends	\$ 809,741
Net realized and unrealized loss	(2,022,449)
Investment fees	<u>(101,226)</u>
Total investment loss	<u>\$ (1,313,934)</u>

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016

A reconciliation of investments measured at fair value using significant unobservable inputs (level 3) is as follows:

Description	Venture Capital and Growth- Related Private Equity Funds	Global Private Investment Companies	Real Estate Funds	Long/Short Global Equity Funds	Long/Short Equity Hedge Funds	Total
Beginning balance at July 1, 2015	\$ 2,560,595	\$ 406,716	\$ 432,533	\$ 3,985,310	\$ 4,289,303	\$ 11,674,457
Purchases	316,886	-	12,278	-	-	329,164
Withdrawals	(433,403)	(406,716)	(88,811)	-	(600,000)	(1,528,930)
Interest and dividends, net	(24,333)	-	9,270	-	-	(15,063)
Net realized and unrealized gain (loss)	88,872	-	42,187	(265,959)	(278,248)	(413,148)
Ending balance at June 30, 2016	<u>\$ 2,508,617</u>	<u>\$ -</u>	<u>\$ 407,457</u>	<u>\$ 3,719,351</u>	<u>\$ 3,411,055</u>	<u>\$ 10,046,480</u>

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



The Foundation held the following investments as of June 30, 2016 for which NAV was employed to estimate fair value:

<u>Asset Class</u>	<u>Investment</u>	<u>Fair Value Determined Using NAV</u>	<u>Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private Equity	Venture Capital and Growth-Related Private Equity Funds	\$ 2,508,617	\$ 1,233,702	None - illiquid	N/A
Fixed Income	Domestic Debt Fund	3,671,873	-	Daily	None
	Global Debt Fund	1,929,783	-	Monthly	10 Days
Emerging Markets Equities	Emerging Markets Fund	3,970,980	-	Daily	None
Real Assets	Real Estate Fund	2,847,724	-	Monthly	15 Days
	Real Estate Fund	407,457	87,722	None - illiquid	N/A
Marketable Alternatives	Long/Short Global Equity Fund	3,719,351	-	Semi- annually	90 Days
Hedge Funds	Long/Short Equity Hedge Funds	3,411,055	-	Quarterly	45 Days
Total		<u>\$ 22,466,840</u>	<u>\$ 1,321,424</u>		

Descriptions follow for each of the limited liability company and limited partnership investments set forth in the table above:

Venture Capital and Growth-related Private Equity Funds

The Foundation's investments are interests in four commingled funds of funds that invest assets directly or through limited partnerships in venture capital and private equity investments primarily in emerging growth companies, both domestic and international.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



Domestic and Global Debt Funds

The Foundation's investments are interests in two commingled debt funds that invest assets primarily in debt, debt-like and other fixed-income securities of domestic and international issuers.

Emerging Markets Fund

The Foundation's investment is an interest in a commingled fund that holds small-and large-cap securities of international issuers, including exposure in emerging markets.

Real Estate Funds

The Foundation's investments are interests in two commingled funds that invest in publicly traded and private securities issued by real estate investment trusts and other publicly held and private real estate companies, both domestic and international.

Long/Short Global Equity Fund

The Foundation's investment is an interest in a commingled fund which is registered as a mutual fund under the Mutual Funds Law of the Cayman Islands.

Long/Short Equity Hedge Funds

The Foundation's investment is an interest in a limited partnership which invests in long/short equity hedge funds, which are managed by an outside fund manager and are not publicly traded.

6. Line of Credit

The Alliance has a \$1,000,000 revolving line of credit with a local financial institution, secured by the guarantees of Realty and the Foundation, a mortgage lien, security interest and assignment of leases and rents in all of the real and personal property of Realty, and a negative pledge regarding all business assets of the Alliance. The Alliance received a temporary increase to the line of credit to \$2,000,000 from February 12, 2016 through December 31, 2016. The Alliance has the option to elect to have the line of credit bear interest at either the LIBOR Rate plus 200 basis points or the bank's prime rate (3.50% at June 30, 2016). The line of credit expires on July 31, 2017. The Alliance did not have an outstanding balance on the line of credit at year-end.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



7. Long-term Debt

Realty has a \$2,500,000, ten-year mortgage, payable in monthly principal and interest installments of \$14,371. Principal and interest payments are based on a twenty-year amortization schedule. The mortgage is collateralized by guarantees of the Alliance and the Foundation, a mortgage lien, security interest and assignment of leases and rents in all of the real and personal property of Realty, and a negative pledge regarding all business assets of the Alliance. Interest is at a fixed rate of 3.40% through January 2017. Thereafter, until maturity, interest is at a rate equal to the five-year FHLB Classic Advance Rate plus 200 basis points. The mortgage matures on January 30, 2022. Scheduled maturities of the mortgage are as follows:

<u>Year Ending</u>	
June 30, 2017	\$ 102,886
June 30, 2018	106,439
June 30, 2019	110,115
June 30, 2020	113,918
June 30, 2021	117,852
Thereafter	1,546,538
	<u>2,097,748</u>
Less current portion of long-term debt	<u>102,886</u>
Long-term debt, less current portion	<u>\$ 1,994,862</u>

The Organization has agreed to maintain certain financial ratios and adhere to other mortgage covenants that are more fully described in the loan documents with regards to both the line of credit and the long-term debt. For the year ended June 30, 2016, the Organization was not in compliance with all of the covenants. Prior to the issuance of this report a waiver was granted by the bank.

8. Split-interest Agreements

The fair value of the assets held for split-interest agreements administered by the Foundation are included in investments classified as level 1 within the fair value hierarchy on the consolidated statement of financial position and consist of the following:

Charitable remainder annuity trusts (CRATs)	\$ 912,315
Charitable remainder unitrusts (CRUTs)	158,320
Charitable gift annuities	<u>407,417</u>
Fair value of split-interest agreements	<u>\$ 1,478,052</u>

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



The contributed assets are recorded at their fair market value when received. A liability is established at the present value of the estimated future payments to be distributed over the beneficiary's expected life and is calculated using discount rates ranging from 3% to 14% and applicable mortality tables. The contribution recognized is the difference between the fair value of the contributed assets received and the computed liability and is classified as unrestricted, temporarily restricted or permanently restricted support in the consolidated statement of activities in the period the trust is established based on the existence or absence of donor-imposed restrictions. The liability was approximately \$621,900 at June 30, 2016.

9. Endowment Funds Held as Agent for Other Communal Entities

The Foundation holds endowment funds as an agent for other not-for-profit, communal entities which are accounted for as a long-term liability on the consolidated statement of financial position. Changes in the liability for the year ended June 30, 2016 are as follows:

Endowment funds held as agent for other communal entities, beginning of year	\$ 6,001,595
Contributions	472,122
Investment return	(133,165)
Investment management fees	(11,126)
Foundation management fees	(69,686)
Grants	<u>(191,768)</u>
Endowment funds held as agent for other communal entities, end of year	<u>\$ 6,067,972</u>

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Poverty initiative	\$ 458,135
Restricted due to time, per donor spending directive	53,178
Restricted due to time, for fiscal years 2016 - 2017	22,313
Capital campaign	225,641
Appreciation of endowment funds (Note 12)	<u>1,636,209</u>
Total	<u>\$ 2,395,476</u>

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



11. Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes:

Donor-restricted endowment funds	\$ 14,911,574
Charitable remainder trusts	<u>755,543</u>
Total	<u>\$ 15,667,117</u>

12. Endowment

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. The Foundation's endowment consists of funds established to support operating activities and includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. Since the funds designated by the Board resulted from an internal designation and are not donor-restricted, they are classified and reported as unrestricted net assets. However, since these funds have been designated by the Board to function as an endowment fund, they are managed in the same manner as the donor-restricted endowment funds, as described below.

Interpretation of Relevant Law - The Rhode Island Uniform Prudent Management of Institutional Funds Act (RIUPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor-imposed endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. The unappropriated earnings portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by RIUPMIFA.

In accordance with RIUPMIFA, the Foundation considers the duration and preservation of the fund, the purposes of the Foundation and the donor-restricted endowment funds, the general economic conditions, the possible effect of inflation and deflation, the expected total return from income and appreciation of investments, other resources of the Foundation and the investment policies of the Foundation in making a determination to appropriate or accumulate donor-restricted endowment funds.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



Change in endowment net assets for the year ended June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 14,072,570	\$ 2,666,916	\$ 12,438,554	\$ 29,178,040
Contributions	-	-	2,459,823	2,459,823
Board designated additions	172,990	-	13,198	186,188
Investment return:				
Interest and dividends, net	196,149	224,394	-	420,543
Net realized and unrealized losses	(571,897)	(618,387)	-	(1,190,284)
Total investment return	(375,748)	(393,993)	-	(769,741)
Amounts appropriated for expenditure	(617,743)	(470,398)	-	(1,088,141)
Additional draws	(359,000)	-	-	(359,000)
Administrative expenses	(148,482)	(166,316)	-	(314,798)
Endowment net assets, end of year	<u>\$ 12,744,587</u>	<u>\$ 1,636,209</u>	<u>\$ 14,911,575</u>	<u>\$ 29,292,371</u>

Funds with Deficiencies - The Foundation's donor-restricted endowment fund consists of nearly 100 individually named funds pooled together for investment purposes. 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 RIUPMIFA requires the Foundation to retain as a fund of perpetual duration. At June 30, 2016, a total of 15 funds had deficiencies for a total of \$69,537. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of the permanently restricted contributions.

Return Objective and Risk Parameters - The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Accordingly, the investment process seeks to achieve an after-cost total real rate of return to exceed the annual distribution with acceptable levels of risk. Given the relationship between risk and return, a fundamental step in determining the investment policy for endowment funds is the determination of an appropriate risk tolerance. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the endowment funds over the long-term and capital market volatility, the Board of Directors believes a moderate risk strategy is prudent. Under this policy, as approved by the Board of Directors, the goal is to have stable returns over the long-term, with a reduced potential of negative returns in any given year.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



Strategies Employed for Achieving Objectives - To satisfy their long-term rate of return objectives, the Foundation 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 Foundation targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the Foundation seeks broad diversification among assets having different characteristics with the knowledge that lower relative performance will occur in strong markets in exchange for greater downside protection in weak markets.

Spending Policy and How the Investment Objectives Relate to the Spending Policy - The Foundation appropriates income for spending in accordance with donor-imposed requirements when applicable. Absent donor restrictions, the Foundation has a policy of appropriating for distribution each year a weighted average of the prior year's distributions plus inflation at 70% and 4% of the average fair value of the funds for the past four quarters at 30%. In addition, distributions from each fund are limited by spending gates. The minimum spending is 3% of the average of the fair market value of the fund for the past four quarters and the maximum spending is capped at 5% of this average. Additionally, funds designated as unrestricted may be spent as deemed necessary by the Board of Directors once the appropriate approvals from the board members have been obtained.

13. Retirement Plans

The Organization sponsors a defined contribution retirement plan established under Internal Revenue Code Section 401(k) (the Plan) to employees who meet certain eligibility requirements. Employees may elect to defer a percentage of their compensation into the Plan. To be eligible for an employer contribution, an employee must have worked more than 1,000 hours in the current plan year, be at least 21 years of age and be an employee on the last day of the fiscal year. The Organization may then make contributions based on a specified percentage of salary. The Organization contributed approximately \$71,000 to the Plan for the year ended June 30, 2016.

The Organization also sponsors a tax deferred annuity savings plan established under Internal Revenue Code Section 403(b) to all employees.

14. Commitments

Operating Leases

The Organization leases property from the State of Rhode Island for the Holocaust Memorial for \$1 annually. The lease expires in March 2065.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016



The Organization leases an apartment under an operating lease agreement, expiring in August 2017, for \$1,150 per month through August 2016, increasing to \$1,200 for the remainder of the lease. In addition, the Organization leases a van and equipment under operating leases expiring at various dates through 2019 for \$450 through \$1,949 per month, respectively. Lease expense for the year ended June 30, 2016 was approximately \$40,000.

Future minimum lease payments are as follows:

<u>Year Ending</u>	
June 30, 2017	\$ 33,700
June 30, 2018	12,100
June 30, 2019	<u>3,300</u>
Total	<u>\$ 49,100</u>

Fitness Center

On June 1, 2015, the Organization entered into a one-year agreement, which automatically renews for subsequent one year periods until the agreement is terminated by either party with Body Soul, LLC (the Management Company). The Management Company provides fitness center management and consulting services to the Organization for an annual fee of \$75,000. Additionally, the Management Company will pay the Organization a fee of 15% of any gross payments received for training services generated at the fitness center.

15. Concentrations of Credit Risk and Market Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk are cash and cash equivalents, accounts receivable, pledges and contributions receivable, and investments. Management believes minimal credit risk exists with respect to these concentrations.

The Organization maintains their cash and cash equivalents in three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to specified limits. During the year, the Organization had bank balances in excess of federally insured limits.

The Organization's pledges receivable represent amounts due from various foundations, corporations and individuals. At June 30, 2016, approximately 13% of net pledges receivable were due from one individual.

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2016




Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such change could materially affect investment balances and activity included in the consolidated financial statements. The Organization has a diversified portfolio for all of their investments and retains an investment advisor to attain a prudent level of diversification in an attempt to minimize potential risk associated with investment securities to the extent possible.

**SUPPLEMENTARY INFORMATION
(UNAUDITED)**

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs:				
Salaries and wages	\$ 2,654,789	\$ 163,722	\$ 462,001	\$ 3,280,512
Employee benefits	327,586	20,202	57,008	404,796
Retirement plan	57,490	3,545	10,005	71,040
Payroll taxes	227,822	14,050	39,647	281,519
Total personnel costs	3,267,687	201,519	568,661	4,037,867
Allocations to other organizations	1,646,605	-	-	1,646,605
Bad debt expense	252,904	-	-	252,904
Bank fees	43,397	2,282	3,127	48,806
Commissions	57,953	-	-	57,953
Community program	3,750	-	-	3,750
Consulting fees	91,000	-	-	91,000
Contracted services	53,561	-	-	53,561
Depreciation	436,645	16,310	13,048	466,003
Fundraising and special events	90,922	-	-	90,922
Grants to other organizations	1,262,076	-	-	1,262,076
Information technology	150,515	16,520	6,178	173,213
Insurance	83,935	2,929	2,343	89,207
Interest expense	69,420	2,593	2,074	74,087
Investment management fees	-	70,014	-	70,014
Marketing	33,797	91	25,717	59,605
Meetings	1,163	8,542	1,249	10,954
Occupancy	387,713	15,801	13,593	417,107
Office Supplies	12,073	687	3,210	15,970
Postage	44,695	929	15,648	61,272
Printing	102,741	578	3,588	106,907
Professional development	48,815	3,789	1,942	54,546
Professional fees	61,163	64,142	5,296	130,601
Program supplies and fees	287,606	-	-	287,606
Service contracts	19,628	375	366	20,369
Subscriptions and dues	34,638	881	734	36,253
Telephone	5,326	771	1,420	7,517
Travel	8,712	20	117	8,849
Total expenses	\$ 8,558,440	\$ 408,773	\$ 668,311	\$ 9,635,524

JEWISH ALLIANCE OF GREATER RHODE ISLAND AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

Schedule 2 

	Program	Administrative	Fundraising	Total
Personnel costs:				
Salaries and wages	\$ 2,772,633	\$ 168,265	\$ 367,713	\$ 3,308,611
Employee benefits	318,943	13,718	35,570	368,231
Retirement plan	61,999	5,647	8,940	76,586
Payroll taxes	238,890	13,187	30,117	282,194
Total personnel costs	3,392,465	200,817	442,340	4,035,622
Allocations to other organizations	1,737,484	-	-	1,737,484
Bad debt expense	45,375	56,406	-	101,781
Bank fees	31,890	1,457	1,555	34,902
Commissions	63,885	-	-	63,885
Community program	41,734	-	-	41,734
Consulting fees	71,122	-	24,263	95,385
Contracted services	73,029	-	-	73,029
Depreciation	330,543	12,347	9,877	352,767
Fundraising and special events	46,573	-	40,942	87,515
Grants to other organizations	1,051,871	-	-	1,051,871
Information technology	141,124	13,077	9,352	163,553
Insurance	74,535	2,784	2,227	79,546
Interest expense	72,353	2,703	2,162	77,218
Investment management fees	-	70,737	-	70,737
Marketing	33,336	500	17,284	51,120
Meetings	2,544	4,569	3,058	10,171
Occupancy	363,137	12,169	9,864	385,170
Office Supplies	11,371	861	4,147	16,379
Postage	41,988	473	15,060	57,521
Printing	89,229	211	17,765	107,205
Professional development	29,763	779	2,821	33,363
Professional fees	54,949	62,401	5,734	123,084
Program supplies and fees	306,298	-	-	306,298
Service contracts	13,693	511	506	14,710
Subscriptions and dues	37,936	487	422	38,845
Telephone	5,983	729	1,325	8,037
Travel	8,252	97	201	8,550
Total expenses	\$ 8,172,462	\$ 444,115	\$ 610,905	\$ 9,227,482

See accompanying independent auditors' report.