Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties

Consolidated Financial Statements as of and
for the Years Ended June 30, 2017 and 2016, and
Independent Auditors' Report

**JEWISH COMMUNITY FEDERATION OF SAN FRANCISCO,
THE PENINSULA, MARIN AND SONOMA COUNTIES**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jewish Community Federation of San Francisco,
the Peninsula, Marin and Sonoma Counties
San Francisco, California

We have audited the accompanying consolidated financial statements of the Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties (the "Federation") and its consolidated supporting foundations, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's 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 Federation'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 Federation'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 financial position of the Federation and its consolidated supporting foundations as of June 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

January 24, 2018

JEWISH COMMUNITY FEDERATION OF SAN FRANCISCO, THE PENINSULA, MARIN AND SONOMA COUNTIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016
(Rounded to thousands)

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 200,994	$ 143,099
Pledges receivable—net	18,046	9,610
Other receivables	5,278	6,444
Loans receivable	1,585	1,585
Prepaids and other assets	908	860
Total current assets	226,811	161,598
PLEDGES RECEIVABLE—Net—long term	6,768	6,327
LOANS RECEIVABLE—Long term	15,052	16,586
INVESTMENT SECURITIES—At fair value	1,851,434	1,755,439
OTHER ASSETS	30,409	30,541
PROPERTY, BUILDINGS, AND EQUIPMENT—Net	19,802	20,800
TOTAL	$ 2,150,276	$ 1,991,291

(Continued)

JEWISH COMMUNITY FEDERATION OF SAN FRANCISCO, THE PENINSULA, MARIN AND SONOMA COUNTIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016
(Rounded to thousands)

	2017	2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,800	$ 1,822
Due to grant recipients	18,988	17,675
Notes payable	1,593	1,593
Total current liabilities	22,381	21,090
DUE TO GRANT RECIPIENTS—Long term	89,459	80,169
NOTES PAYABLE—Long term	14,613	15,514
ANNUITY OBLIGATIONS	2,358	2,577
OTHER LIABILITIES	52,731	51,946
Total liabilities	181,542	171,296
NET ASSETS:		
Unrestricted—undesignated	111,565	103,480
Unrestricted—board designated	10,720	9,878
Donor-advised funds and supporting foundations	1,631,386	1,510,158
Total unrestricted net assets	1,753,671	1,623,516
TEMPORARILY RESTRICTED	138,843	131,465
PERMANENTLY RESTRICTED	76,220	65,014
Total net assets	1,968,734	1,819,995
TOTAL	$ 2,150,276	$ 1,991,291

See notes to consolidated financial statements. (Concluded)

JEWISH COMMUNITY FEDERATION OF SAN FRANCISCO, THE PENINSULA, MARIN AND SONOMA COUNTIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Rounded to thousands)

	2017	**2016**
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and other support:		
Contributions	$ 137,277	$ 125,517
Interest and dividends—net	38,527	35,699
Net realized and unrealized gain (loss) on investments	181,846	(57,453)
Other revenue	3,132	3,070
Net assets released from restrictions	26,672	25,033
Total unrestricted revenues and other support	387,454	131,866
Expenses:		
Grants	181,502	162,668
Programs and community services	7,464	7,194
Management and general	9,916	15,433
Fundraising	6,087	6,474
Property expenses	2,517	2,540
Total expenses	207,486	194,309
Pension related changes other than net periodic cost		30,810
Transfers	(19,722)	(8,774)
Change in organizational structure of a supporting foundation	(30,091)	
Increase (decrease) in unrestricted net assets	130,155	(40,407)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues and other support:		
Contributions	3,804	5,089
Interest and dividends—net	2,706	2,371
Net realized and unrealized gain (loss) on investments	18,160	(2,812)
Net assets released from restrictions	(26,672)	(25,033)
Total temporarily restricted revenues and other support	(2,002)	(20,385)
Transfers	9,380	8,899
Increase (decrease) in temporarily restricted net assets	7,378	(11,486)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	743	1,252
Transfers	10,463	
Increase in permanently restricted net assets	11,206	1,252
INCREASE (DECREASE) IN NET ASSETS	148,739	(50,641)
NET ASSETS—Beginning of year	1,819,995	1,870,636
NET ASSETS—End of year	$ 1,968,734	$ 1,819,995

See notes to consolidated financial statements.

JEWISH COMMUNITY FEDERATION OF SAN FRANCISCO, THE PENINSULA, MARIN AND SONOMA COUNTIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Rounded to thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 148,739	$ (50,641)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net realized and unrealized (gain) loss on investments	(205,163)	62,598
Depreciation and amortization	1,283	1,363
Change in discount and allowance related to pledge receivables	55	(207)
Change in discount related to long-term due to grant recipients	3,343	4,146
Other receivables—bad debt expense	647	377
Donated securities and other assets	(32,450)	(5,181)
Pledge payment fulfilled by forgiveness of notes payable	(24,950)	
Change in organizational structure of a supporting foundation	30,091	
Changes in assets and liabilities:		
Pledges receivable	(9,356)	3,979
Other receivables	942	13,863
Prepaids and other assets	564	(620)
Accounts payable and accrued expenses	(22)	(504)
Due to grant recipients	7,260	(12,025)
Annuity obligations	(219)	(111)
Other liabilities	785	(59,233)
Net cash used in operating activities	(78,451)	(42,196)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, buildings, and equipment	(144)	(302)
Purchases of investment securities	(3,808,082)	(189,468)
Proceeds from sales of real estate assets	93	
Proceeds from sales and maturities of investment securities	3,919,948	222,704
Additions to loans receivable		(17,071)
Payments received from loans receivable	1,534	225
Net cash provided by investing activities	113,349	16,088
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in organizational structure of a supporting foundation	(1,051)	
Proceeds from notes payable	24,950	37,257
Payments on notes payable	(902)	(54,755)
Net cash provided by (used in) financing activities	22,997	(17,498)
NET DECREASE IN CASH AND CASH EQUIVALENTS	57,895	(43,606)
CASH AND CASH EQUIVALENTS—Beginning of year	143,099	186,705
CASH AND CASH EQUIVALENTS—End of year	$ 200,994	$ 143,099
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for income taxes	$ (24)	$ (63)
Cash paid during the year for interest expense	$ (737)	$ (341)

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties (the "Federation") is a not-for-profit corporation which serves to build, maintain, and strengthen Jewish identity, Jewish community, and Jewish life by investing strategically for high impact and enduring community; building the capacity of the community organizations to better fulfill their missions; and, developing leaders and philanthropists committed to its collective Jewish future. The Federation partners with donors, organizations, and foundations to address the pressing issues facing the community, and to develop innovative strategies that result in deep and lasting impact locally, in Israel, and around the world.

Basis of Presentation and Consolidation—The consolidated financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. The consolidated financial statements include the accounts and funds of the Federation, including 24 separately incorporated supporting foundations. Supporting foundations are separately incorporated not-for-profit organizations, organized to support the charitable purposes of the Federation. The supporting foundations are included within the Federation's consolidated financial statements because the Federation has control through majority board representation; an economic interest; and their primary function is to support the charitable purposes of the Federation. All material interfund transactions and balances have been eliminated.

Transfers—Transfers primarily relate to changes in donor-imposed restrictions.

Unrestricted Net Assets—Unrestricted net assets represent unrestricted resources available to support the Federation's operations and temporarily restricted resources which became available for use by the Federation in accordance with the intentions of donors.

Temporarily Restricted Net Assets—Temporarily restricted net assets represent contributions that are limited in use by the Federation in accordance with temporary donor-imposed restrictions. These restrictions may expire with time or may be satisfied and removed by the actions of the Federation according to the terms of the contribution. Upon satisfaction of such restrictions, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.

Permanently Restricted Net Assets—Permanently restricted net assets represent contributions to be held as investments in perpetuity as directed by the original donor. The income from these contributions is primarily available to support activities of the Federation as directed by the donors.

Cash and Cash Equivalents—Cash and cash equivalents include cash and all highly liquid investments purchased with an original maturity of three months or less. As of June 30, 2017 and 2016, cash and cash equivalents included $56,718 and $11,382, respectively, of investments in money market funds, which are considered to be Level I in the fair value hierarchy, held at U.S. financial institutions.

Pledges Receivable—Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions in the accompanying consolidated statements of activities and changes in net assets. Conditional promises to give are not included as contributions until the conditions are substantially met.

Investment Securities—All publicly traded debt and equity securities are carried at estimated fair value, using quoted market prices. Collective trust funds are carried at estimated fair value, using net asset value (NAV) provided by the fund's trustee. The NAV is based on the fair value of the underlying assets owned by the funds, minus its liabilities, divided by the number of units outstanding at the valuation date. The funds are traded on a private market that is not active; however, the unit price is based on observable market data of the funds' underlying assets. Private equity securities, including limited partnerships, are also carried at estimated fair value. Private equity securities include nonmarketable and restricted investment securities whose values have been estimated by management in the absence of readily determinable fair values. Management estimates of fair value of investments in limited partnerships are based on information provided by the fund managers or the general partners of the underlying limited partnerships. Management estimates of direct investments in private equity securities are based on a number of factors including the price at which the investment was acquired, the nature of the investment, trading value for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. Because of the inherent uncertainty of valuation of nonmarketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Investments received through gifts are recorded at estimated fair value at the date of donation.

Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Dividend and interest income are accrued when earned. Management and advisory fees of $1,785 and $1,687 were incurred for fiscal years 2017 and 2016, respectively.

State of Israel bonds are sometimes received by the Federation in satisfaction of pledges. Certain bonds can be transferred by the Federation to the Jewish Federations of North America (JFNA) in partial satisfaction of its allocation payable to that agency. JFNA accepts the bonds at par value in satisfaction of the Federation's allocation. Accordingly, the bonds are recorded at par value.

Property, Buildings, and Equipment—Property, buildings, and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years.

Impairment losses on long-lived assets used in operations and land and improvements are recorded when events and circumstances indicate that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount. If an asset is considered to be impaired, a loss is provided to reduce the carrying value of the property to its estimated fair value.

Charitable Gift Annuities, Pooled Income Funds, and Annuity Obligations—Assets contributed by donors under gift annuity agreements controlled by the Federation are recognized at fair value with a corresponding liability to beneficiaries of the annuity agreements. Such liability is calculated at the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. The Federation has determined such liability using investment returns consistent with the composition of investment portfolios, single or joint life expectancies from the IRS Life Table 80CNSMT, and discount rates applicable in the years in which the agreements were established. The related assets are included in other assets in the accompanying consolidated financial statements.

Revenue Recognition—Contributions are recognized as revenue when received or unconditionally promised; or the conditions of a promise have been substantially met. The Federation reports gifts of cash and other assets as temporarily restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is recorded are reported as temporarily restricted contributions and net assets released from restrictions in that period.

Rental revenue is recognized when earned on a straight-line basis over the terms of the respective leases. Included in rental revenue are certain tenant reimbursements and percentage rents earned in accordance with the terms of the lease agreements. Rental revenue is included in other revenue in the accompanying consolidated financial statements of activities and changes in net assets.

Grants—Grants are recorded upon approval by the Board of Directors of the Federation ("The Board"). Grants approved for distribution in future fiscal years are recorded when unconditionally promised or when conditions are met by the grant recipients at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are made. Amortization of the discounts is included in grant expense in the accompanying consolidated statements of activities and changes in net assets. Conditional grants, although approved by the Board, depend on the occurrence of a specified future and uncertain event and are not recorded on the consolidated financial statements until such conditions have been met. As of June 30, 2017 and 2016, the Federation had conditional grants of $32,088 and $44,214, respectively.

Income Taxes—The Federation has received rulings from the Internal Revenue Service and the State of California Franchise Tax Board granting exemption from income taxation. To the extent the Federation carries out activities which are subject to the unrelated business income tax, it is subject to income taxation.

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expense Allocation—Expenses applicable to more than one program or activity, such as depreciation, have been allocated among the programs and supporting services based on management estimates.

Fair Value of Financial Instruments—Financial instruments included in the Federation's consolidated statements of financial position include cash and cash equivalents, investments, pledges and other receivables, loans receivable, accounts payable and accrued expenses, amounts due to grant recipients, and notes payable. For cash and cash equivalents, other receivables, accounts payable and accrued expenses, and notes payable, the carrying amounts represent a reasonable estimate of the corresponding fair values. Investments, pledges receivable, and amounts due to grant recipients are reflected in the accompanying consolidated statements of financial position at their estimated fair values using methodologies described above. The carrying values of loans receivable represent reasonable estimates of the corresponding fair values based on the Federation's discounted cash flow analyses and comparison with similar financial instruments in the marketplace having similar interest rate and maturity structures.

Concentrations of Credit Risk—Financial instruments which potentially subject the Federation to credit risk consist primarily of cash, cash equivalents, pledges and loans receivable, and investments. The Federation maintains cash and cash equivalents with various major financial institutions. Cash equivalents include investments in money market funds and short-term commercial paper. At times, such amounts may exceed Federal Deposit Insurance Corporation limits. The Federation's investments have been placed with major counterparties. The Federation closely monitors the investments and pledges and loans receivable and has not experienced significant credit losses.

Gross pledges receivable at June 30, 2017 and 2016, include $3,569 and $2,698, respectively, from the Board of Directors of the Federation.

Derivative Financial Instruments—Included within the mutual funds investment securities balances are holdings of a professionally managed mutual fund that invests in derivative financial instruments. In accordance with the prospectus of the mutual fund, such derivative holdings are not to exceed 10% of the fund's investment portfolio and are to be a vehicle for potential portfolio enhancement and for diversification. This fund is primarily composed of U.S. Treasury securities, corporate bonds (including below-investment grade bonds), mortgage-backed securities, dollar-denominated holdings of foreign bonds, options premiums, and other gross futures positions. The fair value of the Federation's investment in this mutual fund was $0 and $2,729 at June 30, 2017 and 2016, respectively.

Recently Issued Accounting Pronouncements—In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-07, Fair Value Measurements: Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent) ("ASU 2015-07"). The amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance is effective for fiscal years beginning after December 15, 2016 and early adoption is permitted. The Federation has elected to adopt this guidance as of June 30, 2017. The disclosures have been updated to reflect this adoption.

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendment improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Federation did not early adopt this guidance as of year-end and is evaluating the impact of ASU 2016-14 on future reporting periods.

2. PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2017 and 2016, are expected to be collected as follows:

	2017	2016
Less than one year	$18,046	$ 9,612
One to five years	2,386	2,258
More than five years	6,612	5,764
Total	27,044	17,634
Less discount for multi-year pledges receivable	(1,165)	(888)
Less allowance for uncollectible pledges	(1,065)	(809)
Pledges receivable—net	$24,814	$15,937

3. INVESTMENT SECURITIES

The fair value of the investment securities portfolio by asset type as of June 30, 2017 and 2016, is as follows:

	2017	2016
Mutual funds	$ 727,093	$ 972,442
Public equity securities	341,959	315,963
Corporate bonds	221,704	112,392
U.S. government securities	211,728	11,540
International government bonds	11,194	10,342
Money market funds/certificates of deposit	23,898	15,386
State of Israel bonds	4,212	4,212
Private equity/hedge funds	305,047	303,209
Direct private investments	4,599	9,953
Total	$1,851,434	$1,755,439

As of June 30, 2017 and 2016, the Federation had commitments of $32,024 and $22,316, respectively, to make additional investments in private equity securities.

Investment securities at June 30, 2017 and 2016, included $52,493 and $48,504, respectively, in funds held and invested for other organizations and a corresponding liability is recorded in other liabilities in the accompanying consolidated statements of financial position.

The Chair of the Federation's Investment Committee is an officer of an investment management firm for which the Federation has $0 and $2,484 under management at June 30, 2017 and 2016, respectively.

4. FAIR VALUE MEASUREMENTS

GAAP defines fair value as the amount that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). Current guidance establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

In accordance with current guidance, the Federation's investments are measured and reported at fair value and are classified and disclosed in one of the following categories.

Level I—Quoted prices are available in active markets for identical assets and liabilities as of the reporting date, without adjustments. Market price data is generally obtained from relevant exchanges or dealer markets.

Level II—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Inputs are obtained from various sources including market participants, dealers and brokers.

Level III—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

NAV Practical Expedient—In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table summarizes the valuation of the Federation's investments by the fair value hierarchy levels as of June 30, 2017 and 2016:

	Fair Value Measurements as of June 30, 2017				
	Total	Level I	Level II	Level III	NAV Practical Expedient
Investments:					
Mutual funds	$ 727,093	$ 727,093	$ -	$ -	$ -
Public equity securities	341,959	341,959			
Corporate bonds	221,704		221,704		
U.S. government securities	211,728		211,728		
International government bonds	11,194		11,194		
Money market funds	23,898	23,898			
State of Israel bonds	4,212		4,212		
Private equity/hedge funds	305,047				305,047
Direct private investments	4,599			4,599	
Total investments	$ 1,851,434	$ 1,092,950	$ 448,838	$ 4,599	$ 305,047

	Fair Value Measurements as of June 30, 2016				
	Total	Level I	Level II	Level III	NAV Practical Expedient
Investments:					
Mutual funds	$ 972,442	$ 972,442	$ -	$ -	$ -
Public equity securities	315,963	315,963			
Corporate bonds	112,392		112,392		
U.S. government securities	11,540		11,540		
International government bonds	10,342		10,342		
Money market funds	15,386	15,386			
State of Israel bonds	4,212		4,212		
Private equity/hedge funds	303,209				303,209
Direct private investments	9,953			9,953	
Total investments	$ 1,755,439	$ 1,303,791	$ 138,486	$ 9,953	$ 303,209

The changes in investments classified as Level III and NAV Practical Expedient in 2017 and 2016, are as follows:

	2017		
	Private Equity/Hedge Funds	**Direct Private Investments**	**Total**
Balance—June 30, 2016	$303,209	$ 9,953	$313,162
Total realized gain	23,867	(24)	23,843
Total unrealized gain	19,235	(5,595)	13,640
Purchases	35,569	265	35,834
Sales	(76,833)		(76,833)
Balance—June 30, 2017	$305,047	$ 4,599	$309,646
Changes in unrealized gain included in earnings relating to investments still held at June 30, 2017			$ 18,673

	2016		
	Private Equity/Hedge Funds	**Direct Private Investments**	**Total**
Balance—June 30, 2015	$ 393,294	$9,966	$ 403,260
Total realized gain	30,461		30,461
Total unrealized gain	(40,018)	(495)	(40,513)
Purchases	43,482	482	43,964
Sales	(124,010)		(124,010)
Balance—June 30, 2016	$ 303,209	$9,953	$ 313,162
Changes in unrealized gain included in earnings relating to investments still held at June 30, 2016			$ (38,038)

The Federation's policy is to recognize transfers in and out of Level III and NAV Practical Expedient as of the actual date of the event or change in circumstances that caused the transfer.

Total realized and unrealized gains and losses recorded for Level III and NAV Practical Expedient investments, if any, are reported in "Net realized and unrealized gain (loss) on investments in the Consolidated Statement of Activities."

The table below sets forth significant terms of the agreements with certain investment companies as of June 30, 2017.

Asset Class	Fair Value	Unfunded Commitment	Redemption Terms	Redemption Notice Period
Hedge funds:				
Event driven	$ 16,056	$ -	Quarterly, semi-annually	65–90 days
Equity hedge	28,332		Quarterly, semi-annually, annually	0–90 days
Commodity	1,793		Quarterly, annually	30–120 days
Emerging markets	9,466		Monthly	30 days
Fund of funds	103,324		Quarterly, annually	30–120 days
Macroeconomic	3,900		Monthly, quarterly, annually	45–90 days
Relative value	56,826		Monthly, quarterly, annually	0–90 days
Fixed income	17,131		Monthly	30 days
Private equity funds	68,219	32,024	Not eligible for redemption	Not redeemable
Total	$ 305,047			

Investments in hedge funds have lock-up periods (generally one to two years) where the Federation is not allowed to make redemptions. After the initial lock up period, the funds have redemption windows (monthly, quarterly, etc.) where the Federation can redeem out of the funds.

As of June 30, 2017, the Federation has not been informed of any redemption restrictions for its investments that are eligible for redemptions.

The Federation values investments in hedge funds and private equity funds in good faith at the Federation's pro rata interest in the net assets of these entities, as a practical expedient, at fair value based on information, including but not limited to, subscription documents, audited financial statements, investor statements, and fund manager reports provided by fund managers, general partners, and independent advisors. Considerable judgment is required to interpret the factors used by management to develop such estimates of fair value. Accordingly, it is possible that an entity's results may subsequently be adjusted and the adjustments may be material to the Federation.

5. TAUBE-KORET CAMPUS FOR JEWISH LIFE

On August 15, 2007, a Memorandum of Understanding was entered into by and among the Federation and the Oshman Family Jewish Community Center (OFJCC); 899 Charleston; and 899 Charleston, LLC (collectively, the "Parties") related to pledge collection, transfer of assets, and fundraising until the conclusion of a capital campaign, which is targeted to raise approximately $140,000 for the development of a Jewish community center and a senior care center (the "Project"). OFJCC and 899 Charleston jointly determine the events that will constitute the conclusion of the capital campaign. The Parties agreed further that, in receiving any capital campaign monies following the closing of bond financings on August 16, 2007, the Federation will continue to act solely as collection agent for OFJCC and 899 Charleston. Upon the closing of bond financings, Taube-Koret Campus for Jewish Life supporting foundation (the "Campus"), transferred its assets and capital campaign monies at that time, less liabilities to which such assets were subject, to OFJCC and 899 Charleston.

During the year ended June 30, 2016, the Parties jointly determined that the capital campaign had concluded and the Campus was no longer required to act as collection agent. The Campus, with the explicit approval of all donors with outstanding pledges, assigned pledges receivable and corresponding payables (See notes 3 and 9) in the amount of $2,160, representing the entirety of outstanding balances, to OFJCC under an Assignment and Assumption of Pledges (the "Agreement"). Upon fulfillment of the Agreement, the Campus activities were wound down and dissolved.

6. OTHER ASSETS

Other assets at June 30, 2017 and 2016, consist of the following:

	2017	2016
Estates receivable	$20,912	$20,963
Charitable gift annuities	2,593	2,701
Charitable remainder trusts	1,896	1,762
Pooled income funds	945	945
Cash surrender value of life insurance policies	368	347
Real estate	775	869
Other	2,920	2,954
Total	$30,409	$30,541

7. PROPERTY, BUILDINGS, AND EQUIPMENT

The components of property, buildings, and equipment at June 30, 2017 and 2016, are as follows:

	2017	2016
Land	$ 3,106	$ 3,106
Buildings and improvements	38,898	38,874
Furniture, fixtures, and equipment	2,939	2,808
Total	44,943	44,788
Accumulated depreciation and amortization	(25,141)	(23,988)
Net	$ 19,802	$ 20,800

8. DUE TO GRANT RECIPIENTS

Amounts due to grant recipients at June 30, 2017 and 2016, are expected to be paid as follows:

	2017	2016
Less than one year	$ 23,133	$17,876
One to five years	89,376	87,267
More than five years	200	300
Less discount for multi-year grants	(4,262)	(7,599)
Total	$108,447	$97,844

9. OTHER LIABILITIES

Other liabilities at June 30, 2017 and 2016, consist of the following:

	2017	2016
Funds held for other organizations	$52,503	$51,566
Other	90	380
Total	$52,593	$51,946

10. NOTES PAYABLE

During the fiscal year ended June 30, 2016, the Federation executed a promissory note with First Republic Bank (the "Lender") that converted to a fully amortizing Term Loan for $17,386, bearing interest at 4.35%, and a final maturity date of January 1, 2031. The proceeds from the borrowing were used to fully fund the termination of the Defined Benefit Plan (see Note 14), and is secured by Deeds of Trust and Assignment of Rents/Lease on 121 Steuart Street and 131/141 Steuart Street. Covenants between the Lender and the Federation exist, requiring the Federation to (a) deliver audited financial statements within 210 days of the end of its fiscal year, (b) maintain unencumbered liquid assets in excess of 40 percent of the outstanding principal balance of the loan, and (c) obtain Lender's written consent prior to obtaining certain additional indebtedness. The Federation remained in compliance with all covenants throughout the fiscal year ended June 30, 2017. The required monthly payment of $133 includes principal and interest. As of June 30, 2017 and 2016, principal balances of $16,206 and $17,107 remained outstanding.

In conjunction with the term loan with the bank, during the fiscal year ended June 30, 2016, the Federation entered into fully amortizing promissory notes with eight (8) community agencies to fund their portions of the termination cost of the Defined Benefit Plan. The total principal value of the notes receivable was $17,372 at execution, bearing interest at 4.35% and maturity dates of January 31, 2031. The total monthly principal and interest payment due to the Federation is $132. As of June 30, 2017 and 2016, the total outstanding principal balance receivable was $16,137 and $17,038, respectively.

Related Parties—During the fiscal years ended June 30, 2017 and 2016, one of the Federation's consolidated supporting foundations borrowed $24,950 and $20,150, respectively, from a party related to the foundation. During the fiscal year ended June 30, 2017, $24,950 was forgiven by the holder and recorded as a contribution by the Federation. During the fiscal year ended June 30, 2016, the foundation repaid $54,755. There were no promissory notes outstanding as of June 30, 2017 and 2016, respectively. Subsequent to June 30, 2017, the foundation has not borrowed any additional amounts.

11. COMMITMENTS AND CONTINGENCIES

One of the Federation's consolidated supporting foundations has liabilities which exceed assets as of June 30, 2017 and 2016. Amounts due to grant recipients of $80,695 and $72,839 at June 30, 2017 and 2016, respectively, comprise the majority of the liabilities of the foundation. Donor directed funding of current liabilities is achieved through cash generated by promissory notes from a related party. See Note 10. Long-term fulfillment of liabilities is expected to occur through the sale of donor-director real estate assets.

The net assets of this foundation as of June 30, 2017 and 2016, included in the accompanying consolidated financial statements, are as follows:

	2017	2016
Total assets—primarily cash and real estate partnership	$ 16,133	$ 3,911
Accounts payable and accrued expenses	(264)	(26)
Due to grant recipients—discounted	(80,695)	(72,839)
Unrestricted net assets (deficit)	$(64,826)	$(68,954)

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 and 2016, are available for the following purposes or periods:

	2017	2016
Health and welfare	$ 59,924	$ 56,765
Educational/vocational training	26,188	24,049
Support for the elderly	6,251	5,858
Local agency support	10,533	9,844
Overseas	6,404	6,124
Time restriction	2,683	1,312
Other	26,972	27,513
Total temporarily restricted net assets	$138,955	$131,465

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restriction, by the passage of time, or by the occurrence of other specific events for the years ended June 30, 2017 and 2016, as follows:

	2017	2016
Health and welfare	$ 7,008	$ 6,428
Educational/vocational training	6,808	5,241
Support for the elderly	739	1,188
Local agency support	1,774	1,397
Overseas	3,469	3,475
Passage of time	4,790	1,625
Other	1,837	5,679
Total temporarily restricted net assets released from restrictions	$26,425	$25,033

13. ENDOWMENT FUNDS

The Federation's endowment fund consists of individual donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. The net assets associated with endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of California adopted a version of UPMIFA as its State Prudent Management of Investment Funds Act (SPMIFA); which is applicable to funds established on or after January 1, 2009, and funds established prior to January 1, 2009, only with respect to actions taken after January 1, 2009. The Board, on the advice of legal counsel, has determined that the Federation holds net assets that are endowment funds as defined under SPMIFA. The Board has interpreted the adopted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies as permanently restricted net assets (a) the original value of gifts 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 the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Where the Board designates unrestricted funds to function as endowments they are classified as unrestricted net assets. Where the Board designates donor-restricted nonendowment funds to function as endowments; they are classified as temporarily restricted net assets.

The Federation's endowment composition, changes, and net asset classifications as of and for the year ended June 30, 2017, are as follows:

Endowment Net Asset Composition by Type of Fund as of June 30, 2017	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment fund	$(1,239)	$130,387	$76,220	$205,368
Board-designated endowment fund	7,557			7,557
Total funds	$ 6,318	$130,387	$76,220	$212,925

Change in Endowment Net Asset Composition by Type of Fund for the Year Ended June 30, 2017	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets—June 30, 2016	$ 4,555	$123,197	$65,014	$192,766
Net realized and unrealized gain (loss) on investments	886	20,866		21,752
Additions from contributions		(164)	743	579
Appropriation of endowment assets for expenditure	(324)	(11,656)		(11,980)
Other changes:				
Interfund transfers	1,200	(1,856)	10,463	9,807
Endowment net assets—June 30, 2017	$ 6,317	$130,387	$76,220	$212,924

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) as of June 30, 2017

Permanently restricted net assets—the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or SPMIFA	$ 76,220
Total endowment funds classified as permanently restricted net assets	$ 76,220
Temporarily restricted net assets—the portion of perpetual endowments subject to a time restriction under SPMIFA:	
Without purpose restrictions	
With purpose restrictions	$130,500
Total endowment funds classified as temporarily restricted net assets	$130,500

The Federation’s endowment composition, changes, and net asset classifications as of and for the year ended June 30, 2016, are as follows:

Endowment Net Asset Composition by Type of Fund as of June 30, 2016	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment fund	$(2,546)	$123,197	$65,014	$185,665
Board-designated endowment fund	7,101			7,101
Total funds	$ 4,555	$123,197	$65,014	$192,766

Change in Endowment Net Asset Composition by Type of Fund for the Year Ended June 30, 2016	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets—June 30, 2015	$ 6,686	$131,225	$63,762	$201,673
Net realized and unrealized gain (loss) on investments	(40)	(440)		(480)
Additions from contributions		3,032	1,252	4,284
Appropriation of endowment assets for expenditure	(1,989)	(10,661)		(12,650)
Other changes:				
Interfund transfers	(102)	41		(61)
Endowment net assets—June 30, 2016	$ 4,555	$123,197	$65,014	$192,766

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) as of June 30, 2016

Permanently restricted net assets—the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or SPMIFA	$ 65,014
Total endowment funds classified as permanently restricted net assets	$ 65,014
Temporarily restricted net assets—the portion of perpetual endowments subject to a time restriction under SPMIFA:	
Without purpose restrictions	
With purpose restrictions	$123,197
Total endowment funds classified as temporarily restricted net assets	$123,197

Endowment Funds with Deficits—From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits associated with funds functioning as endowments, when they exist, are likewise classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were $1,239 and $2,546 as of June 30, 2017 and 2016, respectively. These deficits resulted from unfavorable market conditions and authorized appropriations and expenditures that were deemed prudent.

Return Objectives and Risk Parameters—The Federation has established an endowment investment policy that guides the management of endowment funds. As stated in this investment policy, the Federation seeks to earn a rate of return on the total endowment fund, net of fees, that meets the Federation's established spending guidelines plus inflation. The Federation also acknowledges that adequate diversification of assets is a key factor in managing portfolio risk. The Federation believes a moderate level of risk is acceptable and necessary in order to meet the return objectives of the endowment fund. However, the Federation prefers (a) avoiding large risk with the result of possibly limiting large gains, and (b) consistent year-to-year results to large fluctuations in returns.

Strategies Employed for Achieving Investment Objectives—The Federation has determined that investing prudently across a diversified portfolio, using its target asset allocation, is the appropriate strategy for achieving the investment objectives stated above.

Relationship of Spending Policy to Investment Objectives—As required by SPMIFA, the Federation has, in consultation with its advisors, considered carefully the factors described in SPMIFA, and specifically has endeavored to balance prudently the needs of the Federation's beneficiaries and the economic climate with the Federation's obligation to steward its donor endowed funds in perpetuity, and has determined that a spending guideline ranging from five (5%) to six and one-half percent (6.5%) of the average of a fund's value over 12 trailing quarters would be an appropriate general spending guideline.

14. BENEFIT PLANS

The Federation sponsored and administered a multiple employer defined benefit plan (the "Pension Plan") covering substantially all of its employees and those of 13 beneficiary agencies. Actuarial information for individual agencies was not determined. The annual pension expense was based on projected benefits for all plan participants, and was allocated among the agencies on the basis of the employers' payroll of covered participants without regard to the length of work experience of the participating employees. The Federation froze the plan during 2007 and terminated the plan during 2016.

Plan Termination—In December 2014, in its role as Plan Sponsor, the Federation Board of Directors voted to terminate the Pension Plan. The Plan was formally terminated effective July 1, 2016. During the fiscal year ending June 30, 2015, the Federation entered into Memoranda of Understanding with the 13 beneficiary agencies confirming their financial commitment to the plan termination process, and received cash into an escrow account for a portion of those commitments. During the fiscal year ending June 30, 2016, those amounts were received by the Federation and paid into the Plan.

During the fiscal year ending June 30, 2016 the Pension Plan was fully funded and all assets were converted to cash. The following actions were taken to relieve the plan of its benefit obligations: The Pension Plan paid lump sum distributions to eligible beneficiaries who elected a lump sum payment option in lieu of an annuity. The Federation purchased annuities for the remaining participants from the Principal Life Insurance Company, with the transfer of the balance of plan liabilities occurring on March 1, 2016. As a component of the funding of the total plan termination cost, Federation signed loan documents with First Republic Bank while simultaneously loaning the borrowed amount to 8 of the participating agencies collectively (see Note 10). The terms of the agreements with the 8 agencies mirror the terms of the loan from First Republic Bank. The Federation funded its share of the Pension Plan's underfunded termination liability using internal funds.

As of June 30, 2016, the Plan had fulfilled all obligations to its beneficiaries and held nominal liquid assets to cover any ongoing costs associated with the Plan termination. The Federation completed all termination related activities and completely closed the Plan Trust during the fiscal year ended June 30, 2017.

Other Plans—Effective April 1, 2007, the Federation created a 403(b) plan. Participating employees enter into salary-reduction arrangements with the trustee. The Federation may contribute between 3% and 9% of the participants' salaries based on years of service. Contributions of $262 and $276 were made by the Federation to the new plan for the years ended June 30, 2017 and 2016, respectively.

15. RENTAL INCOME

The operations of one of the Federation's consolidated supporting foundations consist primarily of leasing commercial office and retail space to tenants for various periods. Scheduled office and retail rent increases and various free-rent periods are provided for in the lease agreements. Rental income is recognized in an amount equal to minimum base rent, plus future fixed rental increases amortized on a straight-line basis over the terms of the leases. As of June 30, 2017 and 2016, five tenants accounted for approximately 62% and four tenants approximately 71%, respectively, of rental income. Total income is $2,660 and $2,417 for the years ended June 30, 2017 and 2016, respectively, and is included within other revenue in the consolidated statements of activities and changes in net assets.

Another consolidated supporting foundation subleases office space to a local agency for social service activities.

Future minimum lease payments to be received under noncancelable operating leases in effect as of June 30, 2017, are as follows:

Years Ending June 30	
2018	$ 2,341
2019	2,074
2020	1,781
2021	1,451
2022	955
Thereafter	4,129
Total	$12,731

16. LEASE COMMITMENTS

Rental expense, which is recognized on a straight-line basis, amounted to $768 and $615 for the years ended June 30, 2017 and 2016, respectively.

Future minimum amounts payable under noncancelable operating leases as of June 30, 2017, are as follows:

Years Ending June 30	
2018	$ 839
2019	794
2020	796
2021	809
Total	$3,238

17. RELATED-PARTY TRANSACTIONS

Legal services of approximately $105 and $201 for the years ended June 30, 2017 and 2016, respectively, were provided by a related party.

18. CHANGE IN ORGANIZATIONAL STRUCTURE OF A SUPPORTING FOUNDATION

Effective February 1, 2017, the bylaws of a supporting foundation of the Federation were amended to change the organizational structure to that of a Private Foundation no longer under consolidated control of the Federation. As a result, as of June 30, 2017 the financial statements reflect the removal of net assets of the supporting foundation in the amount of $30,091, consisting of $29,040 in securities, $935 in cash, and $116 in accrued interest.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events during the period from July 1, 2017 to January 24, 2018, the date the consolidated financial statements were available to be issued.

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