Jewish United Fund of Metropolitan Chicago

Financial Report
December 31, 2016

Contents

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Jewish United Fund of Metropolitan Chicago

Report on the Financial Statements
We have audited the accompanying financial statements of Jewish United Fund of Metropolitan Chicago (Jewish United Fund), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, operating expenses and cash flows for the year then ended, and related notes to the financial statements.

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

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

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

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

Basis for Qualified Opinion
The guidance on reporting of related entities by not-for-profit organizations requires not-for-profit organizations with a controlling financial interest in another not-for-profit organization to consolidate that other organization. Jewish United Fund meets the definition of having a "controlling financial interest" in the Jewish Federation of Metropolitan Chicago (Jewish Federation) by having a common board of directors and officers and through its financial support of the Jewish Federation. Accordingly, accounting principles generally accepted in the United States of America require that Jewish United Fund consolidate the Jewish Federation. As of June 30, 2016, the Jewish Federation had total assets of $1,666,310,005, net assets of $1,280,589,137 and for the year ended June 30, 2016, a decrease in net assets of $81,601,115. Summarized financial information of the Jewish Federation as of and for the year ended June 30, 2016, is presented in Note 1 to the financial statements.

Management of the organizations believes that it is not practicable to consolidate the Jewish Federation because the Jewish Federation is required by certain funding sources to maintain a June 30 fiscal year-end and Jewish United Fund is required to retain its December 31 year-end to coincide with its personal contributors' tax year-ends. Accordingly, compliance with the guidance on reporting of related entities by not-for-profit organizations would require the Jewish Federation to undergo two separate audits each year, which would cause a financial and administrative burden on the organizations, thereby negatively impacting their ability to fulfill their charitable mission.

Qualified Opinion
In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish United Fund of Metropolitan Chicago as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited Jewish United Fund of Metropolitan Chicago’s 2015 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated June 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Chicago, Illinois
June 19, 2017

Jewish United Fund of Metropolitan Chicago

Statement of Financial Position
December 31, 2016 (With Comparative Totals for 2015)

	Unrestricted				Total	
	Undesignated	Board Designated	Temporarily Restricted	Permanently Restricted	2016	2015
Assets						
Cash	$ 5,573,051	$ 20,658,618	$ 3,757,732	$ -	$ 29,989,401	$ 5,805,443
Investment in JFMC Pooled Endowment Portfolio, LLC	-	57,538,079	3,226,681	10,716,036	71,480,796	69,212,352
Pledges receivable (net of allowance for uncollectible pledges)	14,179,664	-	30,014,135	-	44,193,799	49,991,474
Interfund accounts	20,661,661	(21,987,668)	-	1,326,007	-	-
Due from JFMC Facilities Corporation	105,659	-	-	-	105,659	159,487
Amount due from participating employers for pension benefits	29,580,350	-	-	-	29,580,350	27,905,725
Other investments	3,731,747	-	-	37,500	3,769,247	5,698,449
Prepaid expenses, deposits and other receivables	3,748,751	-	-	-	3,748,751	3,770,106
Property and equipment (at cost, net of accumulated depreciation and amortization)	6,542,424	2,240,865	-	-	8,783,289	9,935,722
	$ 84,123,307	$ 58,449,894	$ 36,998,548	$ 12,079,543	$ 191,651,292	$ 172,478,758

See notes to financial statements.

Jewish United Fund of Metropolitan Chicago

Statement of Financial Position (Continued)
December 31, 2016 (With Comparative Totals for 2015)

	Unrestricted				Total	
	Undesignated	Board Designated	Temporarily Restricted	Permanently Restricted	2016	2015
Liabilities and Net Assets (Deficit)						
Liabilities:						
Allocations payable to beneficiaries	$ 45,384,934	$ -	$ -	$ -	$ 45,384,934	$ 41,496,740
Accounts payable and accrued expenses	2,617,923	-	-	-	2,617,923	2,427,235
Deferred income	1,134,151	-	-	-	1,134,151	1,367,625
Liability for pension benefits	50,441,863	-	-	-	50,441,863	47,249,465
Due to Jewish Federation of Metropolitan Chicago	3,872,210	-	-	-	3,872,210	3,198,158
	103,451,081	-	-	-	103,451,081	95,739,223
Net assets (deficit):						
Unrestricted:						
Undesignated	(19,327,774)	-	-	-	(19,327,774)	(18,114,549)
Designated for the following purposes:						
Campaign endowment	-	75,474,118	-	-	75,474,118	55,351,963
Israel Partnership 2000	-	78,541	-	-	78,541	70,836
Birthright Program	-	178,069	-	-	178,069	182,442
Retirement benefits	-	(19,638,372)	-	-	(19,638,372)	(18,153,099)
Other	-	2,357,538	-	-	2,357,538	2,346,907
Temporarily restricted:						
Future years' campaigns	-	-	33,774,570	-	33,774,570	40,138,549
Learning center in Israel	-	-	3,223,978	-	3,223,978	2,836,943
Permanently restricted:						
Campaign endowment	-	-	-	12,079,543	12,079,543	12,079,543
	(19,327,774)	58,449,894	36,998,548	12,079,543	88,200,211	76,739,535
	$ 84,123,307	$ 58,449,894	$ 36,998,548	$ 12,079,543	$ 191,651,292	$ 172,478,758

See notes to financial statements.

Jewish United Fund of Metropolitan Chicago

Statement of Activities
December 31, 2016 (With Comparative Totals for 2015)

	Unrestricted				Total	
	Undesignated	Board-Designated	Temporarily Restricted	Permanently Restricted	2016	2015
Revenue:						
Contributions:						
Current-year campaigns:						
Pledges received in current year	$ 44,486,219	$ -	$ -	$ -	$ 44,486,219	$ 41,815,247
Transfer of current-year campaign pledges received and recorded in prior year (below)	40,138,549	-	-	-	40,138,549	41,354,377
Total current-year campaign pledges received	84,624,768	-	-	-	84,624,768	83,169,624
Less allowance for uncollectible pledges	(2,017,143)	-	-	-	(2,017,143)	(3,158,663)
	82,607,625	-	-	-	82,607,625	80,010,961
Adjustments to current year campaigns:						
Adjustments on closing of prior years' campaigns	1,505,935	-	-	-	1,505,935	1,585,445
Total current year campaign	84,113,560	-	-	-	84,113,560	81,596,406
Pledges received in current year for future years' campaigns, net	-	-	33,774,570	-	33,774,570	40,138,549
Transfer of current-year campaign pledges received and recorded in prior year (above)	-	-	(40,138,549)	-	(40,138,549)	(41,354,377)
	-	-	(6,363,979)	-	(6,363,979)	(1,215,828)
	84,113,560	-	(6,363,979)	-	77,749,581	80,380,578
Legacies and bequests	1,183,861	21,763,379	300,000	-	23,247,240	2,367,087
Total support	85,297,421	21,763,379	(6,063,979)	-	100,996,821	82,747,665
Other revenue:						
Interest and dividends	3,974	22,184	971	-	27,129	437,880
Gain (loss) on investment activity (net)	65,108	2,335,688	86,064	-	2,486,860	(2,482,559)
Income from trusts and foundations	7,109,817	173,950	-	-	7,283,767	7,546,160
Fees from campaign and administrative programs	4,443,378	-	-	-	4,443,378	5,473,211
Fees from departmental services	1,674,959	-	-	-	1,674,959	2,747,652
JUF News revenue	829,474	-	-	-	829,474	742,230
Unexpended prior-year allocations	205,260	-	-	-	205,260	651,888
Total other revenue	14,331,970	2,531,822	87,035	-	16,950,827	15,116,462
Transfers of net assets:						
Transfer from board-designated assets	(551,792)	551,792	-	-	-	-
	(551,792)	551,792	-	-	-	-
Total revenue	99,077,599	24,846,993	(5,976,944)	-	117,947,648	97,864,127

See notes to financial statements.

Jewish United Fund of Metropolitan Chicago

Statement of Activities (Continued)
December 31, 2016 (With Comparative Totals for 2015)

	Unrestricted				Total	
	Undesignated	Board-Designated	Temporarily Restricted	Permanently Restricted	2016	2015
Expenses:						
Allocations to beneficiary organizations:						
National and local - paid through Jewish Federation of Metropolitan Chicago	$ 36,484,005	$ -	$ -	$ -	$ 36,484,005	$ 37,573,940
Overseas - paid through Jewish Federations of North America	35,650,798	-	-	-	35,650,798	37,654,994
Other organizations	1,236,153	-	-	-	1,236,153	1,344,795
Distribution of Campaign Endowment income to current year's campaign	-	6,022,829	-	-	6,022,829	4,686,571
Other distributions	-	9,760	-	-	9,760	250,323
Total allocations and distributions	73,370,956	6,032,589	-	-	79,403,545	81,510,623
Operating expenses:						
Administration	4,681,687	-	-	-	4,681,687	4,487,043
Information systems and mailroom	5,423,435	-	-	-	5,423,435	5,495,641
Planning and allocations	1,044,934	-	-	-	1,044,934	1,173,979
Campaign	10,896,510	-	-	-	10,896,510	12,324,094
Communications	2,858,659	-	-	-	2,858,659	2,918,508
Jewish Community Relations Council	695,718	-	-	-	695,718	655,680
Other program services	1,234,603	163,559	-	-	1,398,162	1,134,893
Total operating expenses	26,835,546	163,559	-	-	26,999,105	28,189,838
Total expenses	100,206,502	6,196,148	-	-	106,402,650	109,700,461
Increase (decrease) in net assets before other items	(1,128,903)	18,650,845	(5,976,944)	-	11,544,998	(11,836,334)
Pension-related changes other than pension expense	(84,322)	-	-	-	(84,322)	(2,239,930)
Increase (decrease) in net assets	(1,213,225)	18,650,845	(5,976,944)	-	11,460,676	(14,076,264)
Net assets (deficit):						
Beginning of year	(18,114,549)	39,799,049	42,975,492	12,079,543	76,739,535	90,815,799
End of year	$ (19,327,774)	$ 58,449,894	$ 36,998,548	$ 12,079,543	$ 88,200,211	$ 76,739,535

See notes to financial statements.

Jewish United Fund of Metropolitan Chicago

Statement of Operating Expenses
December 31, 2016 (With Comparative Totals for 2015)

	Undesignated								Designated	Total	
	Administration	Information Systems and Mailroom	Planning and Allocations	Campaign	Communications	Jewish Community Relations Council	Other Program Services	Total	Other Program Services	2016	2015
Operating expenses:											
Salaries	$ 2,003,876	$ 2,626,534	$ 306,998	$ 3,552,221	$ 1,646,851	$ 387,771	$ 99,856	$ 10,624,107	$ -	$ 10,624,107	$ 10,733,407
Fringe benefits	1,086,130	635,456	167,176	839,461	432,295	92,723	22,688	3,275,929	-	3,275,929	3,213,349
	3,090,006	3,261,990	474,174	4,391,682	2,079,146	480,494	122,544	13,900,036	-	13,900,036	13,946,756
Professional fee and service payments	230,391	196,544	411,609	83,175	25,239	640	84,225	1,031,823	26,290	1,058,113	1,439,584
Temporary help	3,241	-	4	17,721	10	-	319	21,295	-	21,295	53,102
Postage and shipping	4,795	107,086	322	97,722	110,674	968	-	321,567	-	321,567	496,222
Outside printing	1,851	15,564	257	244,927	233,323	6,008	312	502,242	-	502,242	523,145
Telephone	36,353	84,302	7,546	137,727	25,289	9,675	914	301,806	-	301,806	328,218
Office supplies and other related expenses	5,788	2,942	2,277	30,487	2,488	990	289	45,261	45	45,306	75,290
Information technology	65,502	434,262	4,549	471,064	73,609	15,237	-	1,064,223	-	1,064,223	918,576
Occupancy	242,198	612,525	38,300	447,916	165,468	36,485	-	1,542,892	94,271	1,637,163	1,521,840
Transportation and travel	26,088	6,856	23,739	83,905	11,771	18,791	4,078	175,228	2,831	178,059	217,045
Conferences, conventions and meetings	125,686	9,653	23,445	70,296	21,607	23,757	15,675	290,119	-	290,119	244,614
Insurance	116,722	-	-	-	-	-	-	116,722	12,545	129,267	123,955
Advertising	-	-	1,367	115,743	7,173	78	-	124,361	-	124,361	107,366
Missions	-	-	-	1,439,330	-	74,356	144,433	1,658,119	-	1,658,119	2,600,143
Events	3,868	415	2,405	2,489,938	372	4,316	22,130	2,523,444	-	2,523,444	2,655,872
Photography	-	-	-	7,642	18,486	357	-	26,485	-	26,485	35,817
Interest expense	254,178	-	-	-	-	-	168,599	422,777	-	422,777	342,361
Credit card fees	-	-	-	-	-	-	551,610	551,610	-	551,610	581,219
Miscellaneous	205,009	708	23,129	128,879	65,207	23,566	119,475	565,973	4,322	570,295	312,567
	4,411,676	4,732,847	1,013,123	10,258,154	2,839,862	695,718	1,234,603	25,185,983	140,304	25,326,287	26,523,692
Depreciation and amortization	270,011	690,588	31,811	638,356	18,797	-	-	1,649,563	23,255	1,672,818	1,666,146
	$ 4,681,687	$ 5,423,435	$ 1,044,934	$ 10,896,510	$ 2,858,659	$ 695,718	$ 1,234,603	$ 26,835,546	$ 163,559	$ 26,999,105	$ 28,189,838

See notes to financial statements.

Jewish United Fund of Metropolitan Chicago

Statement of Cash Flows
December 31, 2016 (With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets	**$ 11,460,676**	$ (14,076,264)
Depreciation and amortization	**1,672,818**	1,666,146
(Gain) loss on investment transactions	**(2,421,753)**	2,577,901
Decrease (increase) in amount due from participating employers for pension benefits due to actuarial gains/losses and change in assumptions	**120,353**	(1,348,829)
(Decrease) increase in pension liability due to actuarial gains/losses and change in assumptions	**(36,031)**	3,588,759
Changes in:		
Pledges receivable	**5,797,675**	195,005
Due to/from JFMC Facilities Corporation	**53,828**	(544,610)
Prepaid expenses, deposits and other receivables	**21,355**	4,084,496
Amount due from participating employers for pension benefits	**(1,794,978)**	(701,152)
Allocations payable to beneficiaries	**3,888,194**	1,641,854
Accounts payable and accrued expenses	**190,688**	82,439
Deferred income	**(233,474)**	(469,831)
Liability for pension benefits	**3,228,429**	1,429,343
Net cash provided by (used in) operating activities	**21,947,780**	(1,874,743)
Cash flows from investing activities:		
Proceeds from sale of securities	**5,460,660**	4,982,248
Purchases of securities	**(5,307,351)**	(4,871,886)
Capital expenditures	**(520,385)**	(903,126)
Increase in other investments	**1,929,202**	179,781
Net cash provided by (used in) investing activities	**1,562,126**	(612,983)
Cash flows from financing activities:		
Increase (decrease) in due to/from Jewish Federation of Metropolitan Chicago	**674,052**	(1,575,215)
Net cash provided by (used in) financing activities	**674,052**	(1,575,215)
Increase (decrease) in cash and cash equivalents	**24,183,958**	(4,062,941)
Cash:		
Beginning of year	**5,805,443**	9,868,384
End of year	**$ 29,989,401**	$ 5,805,443
Supplemental disclosure of cash flow information:		
Interest paid	**$ 419,257**	$ 342,361

See notes to financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Jewish United Fund of Metropolitan Chicago (Jewish United Fund) is a nonprofit social service organization that conducts fund-raising activities by means of annual calendar year campaigns, and makes domestic and overseas allocations to beneficiary organizations, primarily the Jewish Federation of Metropolitan Chicago (Jewish Federation) and the Jewish Federations of North America (JFNA). Overseas allocations are paid through JFNA, which is a U.S. nonprofit organization. Jewish United Fund provides critical resources that bring food, refuge, healthcare, education and emergency assistance to 500,000 Chicagoans of all faiths and to millions of Jews in Israel and around the world.

Significant accounting policies followed by Jewish United Fund are as follows:

General: The financial statements have been prepared in conformity with accounting principles applicable to nonprofit organizations except for the effects of not consolidating the financial statements of the Jewish Federation.

The guidance on reporting of related entities by not-for-profit organizations requires not-for-profit organizations with a controlling financial interest in another not-for-profit organization to consolidate that other organization. Jewish United Fund meets the definition of having a "controlling financial interest" in the Jewish Federation by having a common board of directors and officers and through its financial support of the Jewish Federation (see Note 2). Accordingly, generally accepted accounting principles (GAAP) require that Jewish United Fund consolidate the Jewish Federation. Management of the organizations believe that it is not practicable to consolidate the Jewish Federation because the Jewish Federation is required by certain funding sources to maintain a June 30 fiscal year-end and Jewish United Fund is required to retain its December 31 year-end to coincide with its personal contributors' tax year-ends. Accordingly, compliance with the guidance on reporting of related entities by not-for-profit organizations would require the Jewish Federation to undergo two separate audits each year, which would cause a financial and administrative burden on the organizations, thereby negatively impacting their ability to fulfill their charitable mission. Based on the foregoing, management has determined that the cost of consolidating the Jewish Federation outweighs the benefits obtained therefrom and, accordingly, has not consolidated the Jewish Federation in the accompanying financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Summarized audited financial information of the Jewish Federation as of and for the year ended June 30, 2016, consists of:

		In Thousands
Assets		
Cash and cash equivalents	$	33,047
Investments		1,474,935
Loans and amounts due from Jewish United Fund (net)		10,615
Other loans receivable		9,831
Beneficial interest in charitable trusts		36,544
Other assets		101,338
	$	1,666,310
Liabilities		
Tax-exempt debt	$	8,395
Loans payable		35,036
Funds held on behalf of others		26,968
Funds invested on behalf of unitholders		233,008
Other liabilities		82,314
		385,721
Net assets (deficit)		
Unrestricted:		
Noncontrolling interest in investments		117,097
Designated by the governing board for the following:		
Long-term investments		845,236
Donor-advised funds		134,584
Land, building and equipment		(4,592)
Temporarily restricted		94,324
Permanently restricted		93,940
		1,280,589
	$	1,666,310
Revenue		
Allocation from Jewish United Fund	$	33,358
Contributions and other public support		69,286
Investment earnings and unrealized gains		(28,554)
Other revenue		7,908
		81,998
Expenses		
Appropriations and distributions and grants		143,553
Other expenses		15,231
		158,784
Decrease in net assets before noncontrolling interest in investments		(76,786)
Noncontrolling interest in investments		(4,815)
Decrease in net assets	$	(81,601)

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

If the financial statements of the organizations were to be consolidated, the major items that would be eliminated on consolidation would be the annual allocation from Jewish United Fund to the Jewish Federation and the interagency loan, together with interest thereon (see Notes 2 and 6).

As described in Note 4, Jewish United Fund charges the Jewish Federation directly for its share of common expenses. Such expenses and subsequent recovery of expenses are not reflected separately on the statement of activities.

Basis of presentation: The financial statements are presented in accordance with the guidance on financial statements of not-for-profit organizations, which establishes standards for general-purpose external financial statements issued by nonprofit organizations. It requires that net assets and related revenue, expenses, gains and losses be classified into three classes of net assets - unrestricted, temporarily restricted and permanently restricted – based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed restrictions, including the carrying value of all physical properties (land, buildings and equipment). Items that affect (i.e., increase or decrease) this net asset category include pledges received, program service fees and all expenses associated with the core activities of the organization. In addition to these activities, changes in this category of net assets include certain types of board designated funds, investment income and restricted contributions whose donor-imposed restrictions were met during the fiscal period.

Temporarily restricted net assets: Net assets subject to donor-imposed restrictions that may or will be met either by actions of the organization or the passage of time. Items that affect this net asset category include pledges restricted by donors for future years' campaigns that are reflected as temporarily restricted contributions on the statement of activities. In the subsequent year, a transfer is recorded to unrestricted net assets and included as revenue of the current year's campaign when the time restriction is fulfilled. Additionally, temporarily restricted net assets include legacies and bequests received for use in future years or for specific projects that have not yet been completed.

Permanently restricted net assets: Net assets restricted by donors to be invested in perpetuity. Investment income, including realized and unrealized gains on such assets, is recorded in temporarily restricted income until appropriated for expenditure, unless specifically restricted by the donor.

Revenue recognition: Unrestricted contributions are recorded when received and consist of campaign pledges received for the current year, transfers of current-year campaign pledges received and recorded as temporarily restricted in prior years, and the final adjustments on prior years' campaigns. In addition, legacies and bequests are recorded when the amount is known and uncontested. Collections received on "closed" campaigns are included with contribution income in the year received.

Temporarily restricted contributions consist of pledges received in the current year for future years' campaigns.

Service fees collected for programs, events and missions supporting future years' campaigns are deferred until the applicable campaign year. Other program service fee revenue is recognized when the program takes place.

Unexpended prior-year allocations represent allocations approved by the Board in prior fiscal years that were not distributed. Jewish United Fund has recognized the recovery of a portion of these funds by reducing allocations payable and recognizing other income.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Pledges receivable and allowance for uncollectible pledges: Pledges receivable are recorded for donors' unconditional promises to give to Jewish United Fund. Provision is made for estimated losses on collection of unpaid pledges at the end of each campaign year and, in subsequent years, charges are made to the "Allowance for Uncollectible Pledges" for uncollectible pledge adjustments. Any adjustment in the allowance account in a year succeeding a campaign year is charged or credited to contribution income of the adjustment year. The allowance account for a regular campaign year is closed at the end of the second year following its conclusion.

Cash concentrations: Jewish United Fund maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Jewish United Fund has not experienced any losses in such accounts. Management believes that Jewish United Fund is not exposed to any significant credit risk on its cash and cash equivalents.

Investment in PEP: Jewish United Fund has invested its assets in the JFMC Pooled Endowment Portfolio, LLC (PEP). The Jewish Federation is the manager and administrator of the PEP and is also the majority owner of the PEP. As manager, the Federation owned 79.2 percent of the PEP, as of December 31, 2016, and Jewish United Fund has a 9.2 percent interest in the Federation's portion of the PEP. The investment in the PEP is recorded at its estimated fair value based on the net asset value per share.

Investment transactions and related income: Jewish United Fund records investment transactions on a trade date basis. Realized gains and losses on investment transactions and change in unrealized gain (loss) on investments are reported as such on the statement of activities. Interest income is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

Life insurance policies received as contributions: Cash surrender value of insurance policies on the lives of individuals, where ownership of the policies has been assigned to Jewish United Fund as contributions, is reflected as an investment in the policies (see Note 7) and is included in other investments on the statement of financial position.

Property and equipment: Property and equipment is recorded at cost or, if donated, at fair value at the time of donation. Provisions for depreciation of property and equipment are computed on the straight-line method over the estimated useful lives of the assets which range from five to seven years for equipment and furniture, 3 to 12 years for software and four years for vehicles (see Note 8).

Allocations payable to beneficiaries: Amounts approved by the Board of Directors to be paid to beneficiary organizations are included in allocations payable to beneficiaries if unpaid at year-end. Adjustments are periodically made to allocations payable based on Board action.

Prepaid expenses, deposits and other receivables: Prepaid expenses, deposits and other receivables are comprised of costs related to events and missions for future years' campaigns, prepaid insurance and receivables for sponsorships, event registration fees, JUF News advertisements and bequests.

Functional expenses: Operating expenses directly identified with a functional area are charged to that area and, where those expenses affect more than one area, they are allocated to the respective areas on the basis of ratios estimated by management.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Management estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Donated services: No amounts have been reflected herein for donated services because they do not meet the defined requirements for inclusion in the financial statements.

Fair value of financial instruments: The fair value of Jewish United Fund's other assets and liabilities that qualify as financial instruments under the guidance on disclosures about fair value of financial instruments approximates the carrying amounts presented in the statement of financial position based on the short-term nature of the other assets and liabilities. The carrying amounts reflected in the statement of financial position for pledges receivable and related-party receivables and payables approximate their respective fair values, as management has estimated the fair values by discounting expected cash flows using interest rates that management believes are approximately equal to the interest rate currently available for similar financing arrangements.

Income taxes: Jewish United Fund, an Illinois not-for-profit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

Jewish United Fund has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Jewish United Fund may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Jewish United Fund and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2016, there were no unrecognized tax benefits identified or recorded as liabilities.

Jewish United Fund files Form 990 and Form 990-T in the U.S. federal jurisdiction and the State of Illinois. Jewish United Fund is no longer subject to examination by the Internal Revenue Service for years before 2013.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for Jewish United Fund in the year ending December 31, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in statement of activities. The new standard is effective for Jewish United Fund in the year ending December 31, 2020; early adoption is permitted. Jewish United Fund is currently evaluating the impact of the adoption of this standard on its financial statements.

Subsequent events: Jewish United Fund has evaluated subsequent events for potential recognition and/or disclosure through June 19, 2017, the date the financial statements were available to be issued.

Note 2. Allocations

Allocations made by Jewish United Fund (Unrestricted Net Assets - Undesignated) to beneficiary organizations from the 2016 campaigns consist of:

	Jewish Federation of Metropolitan Chicago	Overseas - Jewish Federations of North America	Other Organizations	Total
Regular campaign	$ 34,189,710	$ 26,605,097	$ 35,000	$ 60,829,807
Emergency campaigns and assistance funds	-	468,540	-	468,540
Other grants (paid through allocations)	2,294,295	8,577,161	1,201,153	12,072,609
	$ 36,484,005	$ 35,650,798	$ 1,236,153	$ 73,370,956

The regular campaign allocation to the Jewish Federation is to substantially cover its budgeted operating deficit for the fiscal year ended on June 30, 2017, as adjusted for any deficit or surplus from the prior fiscal year.

Allocations payable to beneficiaries at December 31, 2016, consist of:

Overseas - unpaid balance of allocation	$ 14,402,762
Jewish Federation - unpaid balance of allocation	30,937,172
Other beneficiaries	45,000
	$ 45,384,934

Note 3. Contribution Revenue and Pledges Receivable

Total campaign pledges received in the current year or prior years for the current year campaigns (before allowance) and adjustments are comprised of the following:

2016 Jewish United Fund Annual Campaign	$ 84,282,469
2016 Israel Fires Emergency Relief Fund	342,299
	$ 84,624,768

Pledges receivable at December 31, 2016, net of allowances for uncollectible pledges, consist of:

Future years' campaigns	$ 31,199,725
Current year's campaign	17,321,341
Prior year's campaign	1,651,999
	50,173,065
Allowance for uncollectible pledges	(5,979,266)
	$ 44,193,799

Note 4. Operating Expenses

Pursuant to an arrangement between Jewish United Fund and the Jewish Federation (which operate from common premises and, in many instances, utilize the same personnel), Jewish United Fund makes expenditures of all common expenses and charges the Jewish Federation for its share thereof. Such common expenses are allocated among the two organizations based, in part, on specific identification of certain expenses and, in part, by allocating other expenses on the basis of previously determined ratios.

For the year ended December 31, 2016, Jewish United Fund has charged the Jewish Federation for such expenses in the net amounts of $3,267,147. The operating expenses of Jewish United Fund reflected in the statement of operating expenses are stated net of such allocated charges.

Jewish United Fund leases office space (at 30 South Wells Street, Chicago, Illinois) from the JFMC Facilities Corporation for which it pays rentals in accordance with the annual office budget. Total rentals paid to the JFMC Facilities Corporation in 2016 were $1,522,379, which is included in the occupancy line of the statement of operating expenses.

Note 5. Fair Value Measurements and Investments in Securities

As described in Note 1, Jewish United Fund records its investments at fair value. 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the guidance on fair value measurements as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the guidance on fair value measurements are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

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. Jewish United Fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The following section describes valuation techniques used by Jewish United Fund to measure its financial instruments at fair value and includes the level within the fair value hierarchy in which they are categorized.

Jewish United Fund’s investment of $71,480,796 represents its allocable share in the PEP and is measured at fair value using the net asset value per share (NAV) practical expedient and has not been categorized in the fair value hierarchy.

The PEP invests in various types of investments including: mutual funds, money market funds, U.S. Treasury bills, equity and credit securities, alternative investments and other investment vehicles. Jewish United Fund does not own or have any interest in the underlying investments held in the PEP. Jewish United Fund has the ability to contribute funds or withdraw funds from its account on the first day of each month. Withdrawal requests are required to be submitted to the PEP in writing at least 15 days prior to the beginning of each month and withdrawals representing more than 80 percent of an investor’s assets are paid within 60 days.

The PEP’s investment in money market funds, U.S. Treasury bills, registered investment companies, investments in various equity and credit assets and securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. Commodities, such as precious metals, are valued based on the closing spot price, derived from the over-the-counter precious metals trading market. These financial instruments are classified as Level 1 in the fair value hierarchy.

Note 5. Fair Value Measurements and Investments in Securities (Continued)

The PEP's investments in non-registered investment companies consisting of certain equity funds, hedged credit funds, opportunistic funds and also real asset and real estate funds are stated at fair value based on the applicable percentage ownership of the underlying investment funds' net assets as of the measurement date, as determined by the PEP. In determining fair value, the PEP utilizes valuations and other information provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments substantially on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective investment fund and may not reflect amounts that ultimately may be realized. The fair value of the PEP's alternative investments generally represents the amount expected to be received if the PEP were to liquidate its alternative investments, excluding any redemption charges that may apply. Accordingly, the estimated fair values of the alternative investments may differ significantly from the values that would have been used had a ready market existed for these investments.

As of December 31, 2016, $3,226,681 and $10,716,036 of Jewish United Fund's investment in the PEP are temporarily and permanently restricted, respectively.

Jewish United Fund assesses the levels of the financial instruments at each measurement date and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with Jewish United Fund's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. There were no such transfers for the year ended December 31, 2016.

Jewish United Fund, through its investment in the PEP, enters into transactions with a variety of securities and derivative financial instruments. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the statement of financial position.

Market risk of investment in pooled endowment portfolio: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the overall exposure to market risk. The Jewish Federation attempts to control the PEP's exposure to market risk through various analytical monitoring techniques.

Credit risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. Exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which there is a gain. Exchange-traded financial instruments generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges.

Concentration of credit risk: In the event the PEP does not fulfill its obligations, Jewish United Fund may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The PEP attempts to minimize this risk by monitoring the creditworthiness of the managers and clearing brokers.

Investments in funds: The managers of underlying investment funds in which the PEP invests may utilize derivative instruments with off-balance-sheet risk. Jewish United Fund's exposure to risk is limited to its allocable share of the PEP's investment.

Note 5. Fair Value Measurements and Investments in Securities (Continued)

As of December 31, 2016, the PEP was invested as follows:

	Percentage of Total Pooled Fund	Approximate Hierarchy Level within the Pooled Fund
	(Unaudited)	
Equity:		
US large cap equity	3%	1
US small cap equity	8%	1-NAV
Developed international equity	9%	1-NAV
Emerging markets equity	6%	1-NAV
Hedged equity	15%	NAV
Private equity	10%	NAV
Credit:		
Core credit	5%	1-NAV
Non-core credit	2%	1-NAV
Hedged credit	10%	NAV
Private credit	1%	NAV
Cash	7%	1
U.S. Treasury bill	1%	1
Commodities	3%	1
Real assets	5%	NAV
Real estate	8%	NAV
Opportunistic	7%	NAV
	100%	

Note 6. Due to/from Jewish Federation and JFMC Facilities Corporation

Amounts due to/from the Jewish Federation and JFMC Facilities Corporation as of December 31, 2016, consist of:

Amounts due from JFMC Facilities Corporation	
Payroll	$ 105,659
Amounts due to Jewish Federation	
Loan for internally developed software, bearing interest at 3.15%, principal and interest payable over a 14-year period beginning in July 2011	$ 3,166,790
Community Foundation for Jewish Education	96,246
Contribution of marketable securities	601,174
Other	8,000
	$ 3,872,210

Jewish Federation maintains a $30 million line of credit on behalf of Jewish United Fund for working capital purposes. Borrowings on the line bear interest at LIBOR plus .60 percent (1.37 percent at December 31, 2016). As of December 31, 2016, there were no outstanding borrowings on the line.

Interest expense for the year ended December 31, 2016, was $422,777.

Approximate scheduled principal maturities of the fixed elements of the software loan is as follows:

2017	$ 330,135
2018	340,686
2019	351,573
2020	362,809
2021	374,404
Thereafter	1,407,183
	$ 3,166,790

Subsequent to December 31, 2016, approximately $2.1 million of the software loan was repaid.

Note 7. Other Investments

Other investments at December 31, 2016, consist of:

Investment in insurance policies	$ 3,566,282
Other investments	202,965
	$ 3,769,247

Jewish United Fund received, as contributions, assignments of the ownership (and designations as beneficiary) of insurance policies on the lives of several donors. The investment in the policies represents the cash surrender value.

Note 8. Property and Equipment

Property and equipment of Jewish United Fund, stated at acquisition cost, at December 31, 2016, consists of:

Data processing equipment and software	$ 16,341,562
Land	1,986,131
Buildings and improvements	759,801
Office equipment and furniture	115,454
Other	82,820
	19,285,768
Accumulated depreciation and amortization	(10,502,479)
	$ 8,783,289

Provision for depreciation of equipment and amortization of software for the year ended December 31, 2016, amounted to $1,672,818. Fully depreciated equipment (whether or not continued in use) is written off against the respective accumulated depreciation account.

Note 9. Defined Benefit Plan

Jewish United Fund is the sponsoring employer of the Federation Employees' Retirement Income Plan (FERIP), which is treated as a multi-employer plan for accounting purposes. FERIP is a noncontributory defined benefit plan which covers substantially all of the organizations' exempt employees who have performed one year of service. Participating employers in FERIP include: Jewish Federation of Metropolitan Chicago, JFMC Facilities Corporation, Chicago Board of Rabbis, CJE Senior Life, Jewish Child & Family Services, Jewish Community Centers of Chicago and Jewish Vocational Service (participating employers). FERIP provides defined benefits based on years of service and final average salary. Jewish United Fund and the participating employers contribute to FERIP annually as determined by the plan's actuary.

In accordance with the guidance on employers' accounting for defined benefit pension and other postretirement plans, the liability for pension benefits reflects the total underfunded position of FERIP (the difference between the fair value of plan assets and the projected benefit obligation). To account for the participating employers' portion of the pension liability and corresponding expense, Jewish United Fund records an asset and reduces the pension expense which is allocated to operating expenses of the various departments. As of December 31, 2016, this asset totaled $29,580,350. In addition, Jewish United Fund maintains a board designated investment for retirement benefits which totaled approximately $823,289 at December 31, 2016, to fund possible future liabilities of FERIP and is included in the Retirement Benefits section of net assets at December 31, 2016.

Plan contributions and the actuarial present value of accumulated plan benefits are prepared based on certain assumptions pertaining to interest rates, inflation rates, mortality rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements. The fair value of plan assets is subject to the market volatility of the underlying investments.

The measurement date used to determine benefit obligations and fair value of plan assets was December 31, 2016.

Note 9. Defined Benefit Plan (Continued)

Information relative to Jewish United Fund's benefit obligations for FERIP (including all participating employers) are presented below:

Obligations and funded status:

Fair value of plan assets	$ 80,268,617
Projected benefit obligation	130,710,480
Unfunded status (of which $29,580,350 pertains to the participating employers)	$ (50,441,863)

Amounts reported on the statement of financial position consist of:

Amounts due from participating employers for pension benefits	$ 29,580,350
Liability for pension benefits	(50,441,863)
Net liability	$ (20,861,513)

Amounts recognized on the statement of activities as a change in unrestricted net assets:

Pension expense recognized in operations	$ 2,890,411	
Amounts recognized on the statement of activities as pension-related changes other than pension expense	84,322	
	2,974,733	
Add: net amount pertaining to participating employers	3,784,598	
	$ 6,759,331	*

Amounts not yet recognized as components of pension expense included in unrestricted net assets:

Prior service cost	$ (43,345)	
Net loss	15,882,407	
	15,839,062	
Add: net amount pertaining to participating employers	23,929,286	
	$ 39,768,348	*

Amounts recognized for the year:

2016 employer contributions - JUF	$ 1,456,960	
Add: net amount pertaining to participating employers	2,109,973	
Total FERIP contributions	$ 3,566,933	*
Benefits paid during 2016 - JUF	$ 1,669,167	
Add: net amount pertaining to participating employers	3,130,218	
Total FERIP benefits paid	$ 4,799,385	*

* Amounts per actuary report

Note 9. Defined Benefit Plan (Continued)

Weighted-average assumptions used in computing obligations and net periodic pension cost:

Benefit obligations:		
Discount rate	4.25	%
Rate of compensation increases	3.00	
Net periodic benefit cost:		
Discount rate	4.50	%
Rate of compensation increases	2.50	
Expected return on plan assets	6.50	

Jewish United Fund's expected long-term return on plan assets assumption is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term horizon. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive review of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (a) historical real returns, net of inflation, for the asset classes covered by the investment policy and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

For the year ended December 31, 2016, a discount rate on benefit obligations of 4.25 percent was used. For 2015, a discount rate of 4.50 percent was used.

For the year ended December 31, 2016, the RP-2014 Mortality Table for Males and Females was used in the determination of the present value of accumulated plan benefits. These tables are projected forward generationally using projection scale MP-2016.

FERIP’s weighted-average asset allocation at the end of the year, by asset category, is as follows:

Asset category:		
Domestic fixed income	42	%
Domestic equity	15	
International equity	24	
Real estate	7	
Absolute return hedge funds	11	
Other	1	
	100	%

Jewish United Fund's investment policy for FERIP includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

Note 9. Defined Benefit Plan (Continued)

Jewish United Fund's investment policy for FERIP's overall investment strategy is to allocate approximately 60 percent of assets to a diversified equity-oriented return-seeking portfolio and 40 percent to a liability-hedging portfolio invested primarily in long duration fixed-income vehicles. Target allocations within the return-seeking portfolio are as follows: 70 percent to U.S. and international equity, 10 percent to global real estate and 20 percent to return-seeking credit investments. The JFMC Pooled Endowment Portfolio Committee regularly reviews FERIP's investment performance, funded status and investment policy. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

Expected required employer contributions for 2017 (of which $2,131,069 pertains to the participating employers)	$ 3,602,601

The following benefit payments, which reflect future service, are expected to be paid:

2017	$ 5,738,000
2018	6,112,000
2019	6,378,000
2020	6,736,000
2021	7,057,000
2022-2026	38,222,000
	$ 70,243,000

The fair values of FERIP's assets at December 31, 2016, by asset category, are as follows:

Asset Category	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valued Using Net Asset Value (1)	Total
Money Market Fund	$ 1,203,625	$ -	$ -	$ -	$ 1,203,625
Domestic Fixed Income	-	-	-	33,662,195	33,662,195
Domestic Equity	-	-	-	11,644,237	11,644,237
International Equity	-	-	-	18,882,272	18,882,272
Real Estate	-	-	-	6,018,945	6,018,945
Absolute Return Hedge Funds	-	-	-	8,857,343	8,857,343
Total	$ 1,203,625	$ -	$ -	$ 79,064,992	$ 80,268,617

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the statement of financial position.

For the year ended December 31, 2016, there were no transfers between Levels 1, 2 and 3.

Note 9. Defined Benefit Plan (Continued)

Investments in money market funds are traded on national securities exchanges and are stated at the last reported sales price on the day of valuation.

Alternative investments and other investment vehicles are valued at fair value based on the applicable percentage ownership of the investment funds' net assets as of the measurement date, as determined by Jewish United Fund. In determining fair value, Jewish United Fund utilizes valuations and other information provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments substantially on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective investment fund and may not reflect amounts that ultimately may be realized. The fair value of Jewish United Fund's alternative investments generally represents the amount expected to be received if Jewish United Fund were to liquidate its alternative investments, excluding any redemption charges that may apply. Accordingly, the estimated fair values of the alternative investments may differ significantly from the values that would have been used had a ready market existed for these investments.

In addition to sponsoring FERIP, Jewish United Fund is an employer participant in Federation Employees' Retirement Savings Trust Plan of the Jewish Federation of Metropolitan Chicago and Participating Employers (FERST).

FERST is a noncontributory defined contribution plan, employer contributions to which are computed on the basis of a percentage of salary. FERST plan participants include Jewish United Fund employees who have completed one year of service and are covered by a collective bargaining agreement.

Gross contributions provided by Jewish United Fund (determined on the basis of salaries of participating employees) were approximately $89,000 for 2016.

Note 10. Self-Insurance Programs and Retirement Plans

Jewish United Fund participates with the Jewish Federation and its affiliated agencies in self-insurance programs for health and dental insurance. Contributions by Jewish United Fund for such coverage (made to the Jewish Federation as custodian for these programs) amounted to approximately $921,000 as of December 31, 2016. All self-insurance programs include specific and aggregate stop loss insurance policies.

Note 11. Endowment Net Assets

Jewish United Fund’s endowment consists of donor-restricted funds established for a variety of purposes. In addition, its endowment includes funds designated by the Board of Directors to function as endowments. These funds are categorized as board designated. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 11. Endowment Net Assets (Continued)

Interpretation of Relevant Law

The Board of Directors of Jewish United Fund has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Jewish United Fund classified 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 Jewish United Fund in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Jewish United Fund considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

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

Endowment Composition

Jewish United Fund's endowment net asset composition by type of fund is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ (1,326,007)	$ 3,226,681	$ 12,079,543	$ 13,980,217
Board-designated	56,677,289	-	-	56,677,289
	$ 55,351,282	$ 3,226,681	$ 12,079,543	$ 70,657,506

Note 11. Endowment Net Assets (Continued)

Changes in Endowment Net Assets
The changes in endowment net assets for Jewish United Fund were as follows for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 53,624,072	$ 2,717,947	$ 12,079,543	$ 68,421,562
Investment return:				
Investment income	21,682	971	-	22,653
Gain on investment activity (net of realized and unrealized)	2,303,354	88,767	-	2,392,121
	2,325,036	89,738	-	2,414,774
Contributions	2,395,876	818,996	-	3,214,872
Other changes:				
Transfer to endowment	2,069,565	-	-	2,069,565
Distributions	(5,063,267)	(400,000)	-	(5,463,267)
Endowment net assets, end of year	$ 55,351,282	$ 3,226,681	$ 12,079,543	$ 70,657,506

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires Jewish United Fund to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets relating to multiple funds were $1,326,007 at December 31, 2016. This deficiency resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters
Jewish United Fund has adopted endowment investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity, temporarily restricted funds that are operating as endowments, as well as unrestricted board-designated funds. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to achieve an annualized long-term average nominal return which is approximately equal to the long-term average return of the market as a whole, but with less volatility than the overall market. Actual returns in any given year may vary significantly from the targeted amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, Jewish United Fund relies on a total return strategy in which returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Jewish United Fund's policy is to invest 100 percent of the endowment in the PEP (Note 5).

Note 11. Endowment Net Assets (Continued)

Spending Policy
Jewish United Fund has adopted the board-approved controlled growth distribution policy (CGDP) for the majority of its endowment assets. Under this policy, the rate for annual endowment distributions is based on the market performance of the PEP, with certain caps and floors to provide stability during volatile market environments. The CGDP also includes a target growth rate of 2.5 percent per year.

Note 12. Prior-Year Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with Jewish United Fund's financial statements for the year ended December 31, 2015, from which the summarized information was derived.