Jewish Federation of Metropolitan Chicago

Consolidated Financial Report
June 30, 2018

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Contents

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Independent Auditor's Report

To the Board of Directors
Jewish Federation of Metropolitan Chicago

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of the Jewish Federation of Metropolitan Chicago (Federation) and subsidiaries which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Michael Reese Health Trust (Trust), a wholly-owned subsidiary, which statements reflect total assets constituting 6.8 percent and 7.8 percent, respectively, of consolidated total assets at June 30, 2018 and 2017, and total revenues constituting 2.5 percent and 5.7 percent, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Trust, is based solely on the report of the other auditors. 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, based on our audits and the report of the other auditor, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Federation of Metropolitan Chicago and subsidiaries as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

RSM US LLP

Chicago, Illinois
December 28, 2018

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statements of Financial Position
June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Custodian	Total All Funds 2018
Assets					
Cash and cash equivalents	$ 205,748	$ 2,223	$ -	$ -	$ 207,971
Investments	1,552,527	93,026	52,036	9,905	1,707,494
Overpayments and advances of appropriations	20	-	-	-	20
Pledges and other receivables	11,035	23,233	-	169	34,437
Due from Jewish United Fund of Metropolitan Chicago	4,141	-	-	-	4,141
Due from JFMC Facilities Corporation	24,412	-	-	-	24,412
Loans receivable - affiliated agencies and other beneficiaries	8,118	-	-	-	8,118
Other assets	1,356	-	-	-	1,356
Redemptions receivable from underlying funds	13,987	-	-	-	13,987
Advanced contributions to underlying funds	6,040	-	-	-	6,040
Beneficial interest in charitable trusts	-	-	39,788	-	39,788
Interfund accounts	7,549	(19,396)	11,370	477	-
	$ 1,834,933	$ 99,086	$ 103,194	$ 10,551	$ 2,047,764

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statements of Financial Position (Continued)
June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Custodian	Total All Funds 2018
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 10,342	$ -	$ -	$ -	$ 10,342
Appropriations payable	887	-	-	-	887
Subscriptions received in advance	1,149	-	-	-	1,149
Withdrawals payable	15,884	-	-	-	15,884
Funds invested on behalf of Unitholders	305,417	-	-	-	305,417
Other liabilities	14,020	-	-	-	14,020
Support Foundations distributions payable	25,146	-	-	-	25,146
Interest rate swap liability	11,855	-	-	-	11,855
Loans payable	22,730	-	-	-	22,730
Tax exempt debt	6,665	-	-	-	6,665
Funds held for others	4,738	9,593	-	10,551	24,882
	418,833	9,593	-	10,551	438,977
Net assets:					
Unrestricted:					
Noncontrolling interest in investments	76,190	-	-	-	76,190
Designated by the governing board for the following:					
Donor advised funds	167,772	-	-	-	167,772
Long-term investments	1,172,138	-	-	-	1,172,138
Temporarily restricted	-	89,493	-	-	89,493
Permanently restricted	-	-	103,194	-	103,194
	1,416,100	89,493	103,194	-	1,608,787
	$ 1,834,933	$ 99,086	$ 103,194	$ 10,551	$ 2,047,764

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statements of Financial Position
June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Custodian	Total All Funds 2017
Assets					
Cash and cash equivalents	$ 52,195	$ 6,170	$ -	$ -	$ 58,365
Investments	1,498,459	90,892	46,729	11,530	1,647,610
Overpayments and advances of appropriations	28	-	-	-	28
Pledges and other receivables	11,271	29,897	-	175	41,343
Due from Jewish United Fund of Metropolitan Chicago	9,931	-	-	-	9,931
Due from JFMC Facilities Corporation	25,119	-	-	-	25,119
Loans receivable - affiliated agencies and other beneficiaries	9,670	-	-	-	9,670
Other assets	2,138	-	-	-	2,138
Redemptions receivable from underlying funds	4,185	-	-	-	4,185
Advanced contributions to underlying funds	7,200	-	-	-	7,200
Beneficial interest in charitable trusts	-	-	38,841	-	38,841
Interfund accounts	5,753	(21,858)	16,321	(216)	-
	$ 1,625,949	$ 105,101	$ 101,891	$ 11,489	$ 1,844,430

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statements of Financial Position (Continued)
June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Custodian	Total All Funds 2017
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 10,165	$ 144	$ -	$ -	$ 10,309
Appropriations payable	840	-	-	-	840
Subscriptions received in advance	35,971	-	-	-	35,971
Withdrawals payable	6,277				6,277
Funds invested on behalf of Unitholders	268,668	-	-	-	268,668
Other liabilities	11,209	-	-	-	11,209
Support Foundations distributions payable	21,829	-	-	-	21,829
Interest rate swap liability	18,513	-	-	-	18,513
Loans payable	28,667	-	-	-	28,667
Tax exempt debt	7,880	-	-	-	7,880
Funds held for others	4,525	10,044	-	11,489	26,058
	414,544	10,188	-	11,489	436,221
Net assets:					
Unrestricted:					
Noncontrolling interest in investments	118,660	-	-	-	118,660
Designated by the governing board for the following:					
Donor advised funds	161,724	-	-	-	161,724
Long-term investments	931,021	-	-	-	931,021
Temporarily restricted	-	94,913	-	-	94,913
Permanently restricted	-	-	101,891	-	101,891
	1,211,405	94,913	101,891	-	1,408,209
	$ 1,625,949	$ 105,101	$ 101,891	$ 11,489	$ 1,844,430

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statements of Activities
Year Ended June 30, 2018

	Unrestricted							
			Designated					
	Undesignated	Noncontrolling Interest in Investments	Donor Advised Funds	Long-Term Investments	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 2018
Revenue:								
Public support:								
Direct public support:								
Contributions (inclusive of distributions from certain restricted and donor advised funds)	$ 8,601	$ -	$ -	$ 204,180	$ 212,781	$ 7,186	$ 356	$ 220,323
Contributions designated for donor advised funds	-	-	38,982	-	38,982	-	-	38,982
Distributions from beneficial interest in charitable trusts to support operations	791	-	-	-	791	-	-	791
Total received directly	9,392	-	38,982	204,180	252,554	7,186	356	260,096
Indirect public support:								
Allocations by federated fund-raising organizations:								
Jewish United Fund of Metropolitan Chicago	37,908	-	-	-	37,908	-	-	37,908
United Way (includes Chicago and Suburban)	874	-	-	-	874	-	-	874
Total received indirectly	38,782	-	-	-	38,782	-	-	38,782
Total public support	48,174	-	38,982	204,180	291,336	7,186	356	298,878
Grants from government agencies:								
Refugee and Immigrant Social Service Program income	3,424	-	-	-	3,424	-	-	3,424
Other	255	-	-	-	255	-	-	255
Total grants from government agencies and other organizations	3,679	-	-	-	3,679	-	-	3,679
Miscellaneous revenue	1,495	-	-	33	1,528	-	-	1,528
Total directly related revenue	5,174	-	-	33	5,207	-	-	5,207
Other revenue:								
Investment income (expense) (net of related fees and interest expense of approximately $4,896)	33	-	1,952	3,354	5,339	(873)	-	4,466
Gain on investment activity (net)	-	-	9,336	106,521	115,857	9,083	-	124,940
Unrealized gain on beneficial interest in charitable trusts	-	-	-	-	-	-	947	947
Unrealized gain on fair value of swap arrangements	-	-	-	6,014	6,014	-	-	6,014
	33	-	11,288	115,889	127,210	8,210	947	136,367
Transfer of net assets released from restrictions								
Satisfaction of restrictions	15,840	-	3	4,814	20,657	(20,657)	-	-
Total revenue	$ 69,221	$ -	$ 50,273	$ 324,916	$ 444,410	$ (5,261)	$ 1,303	$ 440,452

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statements of Activities (Continued)
Year Ended June 30, 2018

	Unrestricted							
		Noncontrolling	Designated					
	Undesignated	Interest in Investments	Donor Advised Funds	Long-Term Investments	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 2018
Expenses:								
Appropriations and distributions:								
Appropriations	$ 39,455	$ -	$ -	$ -	$ 39,455	$ -	$ -	$ 39,455
Distributions	15,840	-	44,208	66,476	126,524	-	-	126,524
Grants	6,791	-	-	4,442	11,233	-	-	11,233
Other	-	-	17	2,348	2,365	-	-	2,365
Total appropriations, distributions and grants	62,086	-	44,225	73,266	179,577	-	-	179,577
Functional expenses:								
Management and Administration	4,591	-	-	1,714	6,305	-	-	6,305
Program Services	8,347	-	-	3,175	11,522	-	-	11,522
Total functional expenses	12,938	-	-	4,889	17,827	-	-	17,827
Total expenses	75,024	-	44,225	78,155	197,404	-	-	197,404
Revenue over expenses (deficiency)	(5,803)	-	6,048	246,761	247,006	(5,261)	1,303	243,048
Other changes in net assets:								
Transfer to fund deferred compensation	339	-	-	(339)	-	-	-	-
Transfer between funds	(784)	-	-	784	-	-	-	-
Transfer from endowment funds to support operations	6,248	-	-	(6,089)	159	(159)	-	-
Increase (decrease) in net assets - JFMC	-	-	6,048	241,117	247,165	(5,420)	1,303	243,048
Noncontrolling interest in investments	-	(42,470)	-	-	(42,470)	-	-	(42,470)
Increase (decrease) in net assets	-	(42,470)	6,048	241,117	204,695	(5,420)	1,303	200,578
Net assets:								
Beginning of fiscal year	-	118,660	161,724	931,021	1,211,405	94,913	101,891	1,408,209
End of fiscal year	$ -	$ 76,190	$ 167,772	$ 1,172,138	$ 1,416,100	$ 89,493	$ 103,194	$ 1,608,787

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statements of Activities
Year Ended June 30, 2017

	Unrestricted							
		Noncontrolling	Designated					
	Undesignated	Interest in Investments	Donor Advised Funds	Long-Term Investments	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 2017
Revenue:								
Public support:								
Direct public support:								
Contributions (inclusive of distributions from certain restricted and donor advised funds)	$ 8,048	$ -	$ -	$ 28,022	$ 36,070	$ 19,547	$ 5,655	$ 61,272
Contributions designated for donor advised funds	-	-	47,180	-	47,180	-	-	47,180
Distributions from beneficial interest in charitable trusts to support operations	807	-	-	-	807	-	-	807
Total received directly	8,855	-	47,180	28,022	84,057	19,547	5,655	109,259
Indirect public support:								
Allocations by federated fund-raising organizations:								
Jewish United Fund of Metropolitan Chicago	34,262	-	-	-	34,262	-	-	34,262
United Way (includes Chicago and Suburban)	1,028	-	-	-	1,028	-	-	1,028
Total received indirectly	35,290	-	-	-	35,290	-	-	35,290
Total public support	44,145	-	47,180	28,022	119,347	19,547	5,655	144,549
Grants from government agencies:								
Refugee and Immigrant Social Service Program income	3,473	-	-	-	3,473	-	-	3,473
Other	168	-	-	-	168	-	-	168
Total grants from government agencies and other organizations	3,641	-	-	-	3,641	-	-	3,641
Miscellaneous revenue	1,632	-	7	2,822	4,461	245	-	4,706
Total directly related revenue	5,273	-	7	2,822	8,102	245	-	8,347
Other revenue:								
Investment income (expense) (net of related fees and interest expense of approximately $4,119)	43	-	996	3,012	4,051	(948)	-	3,103
Gain on investment activity (net)	-	-	12,323	114,389	126,712	11,009	-	137,721
Unrealized gain on beneficial interest in charitable trusts	-	-	-	-	-	-	2,297	2,297
Unrealized gain on fair value of swap arrangements	-	-	-	9,571	9,571	-	-	9,571
	43	-	13,319	126,972	140,334	10,061	2,297	152,692
Transfer of net assets released from restrictions								
Satisfaction of restrictions	15,426	-	3	13,743	29,172	(29,172)	-	-
Total revenue	$ 64,887	$ -	$ 60,509	$ 171,559	$ 296,955	$ 681	$ 7,952	$ 305,588

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statements of Activities (Continued)
Year Ended June 30, 2017

	Unrestricted							
		Noncontrolling	Designated					
	Undesignated	Interest in Investments	Donor Advised Funds	Long-Term Investments	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 2017
Expenses:								
Appropriations and distributions:								
Appropriations	$ 38,632	$ -	$ -	$ -	$ 38,632	$ -	$ -	$ 38,632
Distributions	15,426	-	33,370	62,269	111,065	-	-	111,065
Grants	5,865	-	-	3,909	9,774	-	-	9,774
Other	-	-	-	1,532	1,532	-	-	1,532
Total appropriations, distributions and grants	59,923	-	33,370	67,710	161,003	-	-	161,003
Functional expenses:								
Management and Administration	3,856	-	-	1,819	5,675	-	-	5,675
Program Services	7,429	-	-	5,422	12,851	-	-	12,851
Total functional expenses	11,285	-	-	7,241	18,526	-	-	18,526
Total expenses	71,208	-	33,370	74,951	179,529	-	-	179,529
Revenue over expenses (deficiency)	(6,321)	-	27,139	96,608	117,426	681	7,952	126,059
Other changes in net assets:								
Transfer to fund deferred compensation	89	-	-	(89)	-	-	-	-
Transfer between funds	-	-	-	12	12	(12)	-	-
Transfer from endowment funds to support operations	6,232	-	-	(6,153)	79	(79)	-	-
Increase in net assets - JFMC	-	-	27,139	90,378	117,517	590	7,952	126,059
Noncontrolling interest in investments	-	1,563	-	-	1,563	-	-	1,563
Increase in net assets	-	1,563	27,139	90,378	119,080	590	7,952	127,622
Net assets:								
Beginning of fiscal year	-	117,097	134,585	840,643	1,092,325	94,323	93,939	1,280,587
End of fiscal year	$ -	$ 118,660	$ 161,724	$ 931,021	$ 1,211,405	$ 94,913	$ 101,891	$ 1,408,209

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statements of Functional Expenses
Year Ended June 30, 2018

	Management and Administration	Program Services	Total All Funds 2018
Functional expenses:			
Salaries	$ 3,526	$ 2,190	$ 5,716
Fringe benefits	94	102	196
	3,620	2,292	5,912
Grants	-	5,212	5,212
Professional fees	500	1,595	2,095
Occupancy	484	723	1,207
Telephone	203	38	241
Insurance	130	16	146
Conferences, conventions, meetings and major trips	131	1,007	1,138
Information technology	556	154	710
Outside printing and design	6	60	66
Supplies	28	231	259
Staff expenses	35	5	40
Postage and shipping	19	97	116
Membership dues	8	14	22
Bank and credit card fees	7	-	7
Miscellaneous	578	78	656
Total functional expenses	$ 6,305	$ 11,522	$ 17,827

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statements of Functional Expenses
Year Ended June 30, 2017

	Management and Administration	Program Services	Total All Funds 2017
Functional expenses:			
Salaries	$ 3,309	$ 2,252	$ 5,561
Fringe benefits	148	194	342
	3,457	2,446	5,903
Grants	-	6,376	6,376
Professional fees	554	2,048	2,602
Occupancy	209	410	619
Telephone	170	33	203
Insurance	121	17	138
Conferences, conventions, meetings and major trips	146	710	856
Information technology	317	45	362
Outside printing and design	7	63	70
Supplies	25	244	269
Staff expenses	56	39	95
Postage and shipping	17	103	120
Membership dues	3	15	18
Bank and credit card fees	108	-	108
Miscellaneous	485	302	787
Total functional expenses	$ 5,675	$ 12,851	$ 18,526

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets - JFMC	$ 243,048	$ 126,059
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Change in allowance for uncollectible pledges	267	214
Net realized gain on investments	(86,255)	(35,816)
Net change in unrealized gain on investments	(38,725)	(102,714)
Net change in unrealized gain on beneficial interests in charitable trusts	(947)	(2,297)
Net change in unrealized loss on charitable gift annuities	40	807
Change in unrealized gain on fair value of swap arrangements	(6,014)	(9,571)
Permanently restricted contributions	(356)	(5,655)
Changes in:		
Overpayments and advances of appropriations	8	119
Pledges and other receivables	5,995	1,837
Due from Jewish United Fund and JFMC Facilities	6,497	1,141
Other assets	782	(1,019)
Advanced contributions to underlying funds	1,160	7,800
Redemptions receivable from underlying funds	(9,802)	3,815
Accounts payable, accrued expenses and other liabilities	2,844	(2,012)
Appropriations payable	47	(649)
Subscriptions received in advance	(34,822)	33,990
Withdrawals payable	9,607	5,861
Support Foundations - distributions payable	3,317	(5,629)
Funds held for others	(1,176)	(911)
Net cash (used in) provided by operating activities	95,515	15,370
Cash flows from investing activities:		
Net proceeds from sales of investments	57,332	3,515
Additions to charitable gift annuities	(746)	(341)
Liquidations of charitable gift annuities	2,749	720
Change in investment redemption	-	3,795
Collections of loans receivable from affiliated agencies and other beneficiaries	1,552	3,489
Net cash provided by investing activities	60,887	11,178
Cash flows from financing activities:		
Permanently restricted contributions	356	5,655
Payments on loans payable	(5,937)	(6,369)
Payments on tax exempt debt	(1,215)	(515)
Net cash used in financing activities	(6,796)	(1,229)
Increase in cash and cash equivalents	149,606	25,319
Cash and cash equivalents:		
Beginning of year	58,365	33,046
End of year	$ 207,971	$ 58,365
Supplemental disclosure of cash flow information:		
Interest paid	$ 187	$ 243
Supplemental schedule of noncash investing and financing activities:		
Change in tracking unit and noncontrolling interest investments	$ (48,192)	$ 38,786

See notes to consolidated financial statements.

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

The Jewish Federation of Metropolitan Chicago (JFMC) is a not-for-profit social service organization that makes appropriations to its affiliated agencies (pursuant to certain "Principles of Affiliation Agreements") and other beneficiaries, which are primarily engaged in charitable, educational, social welfare and health activities.

The major source of funds for current operations of JFMC is provided by the Jewish United Fund of Metropolitan Chicago (Jewish United Fund), which conducts fundraising activities by means of annual calendar year campaigns and makes allocations to beneficiaries (primarily JFMC and the Jewish Federations of North America). For the fiscal years ended June 30, 2018 and 2017, JFMC received allocations of $37,908 and $34,262, respectively, from the 2017 and 2016 Jewish United Fund campaigns.

These consolidated financial statements also include the accounts and activities of the following entities:

JFMC Pooled Endowment Portfolio, LLC (PEP) - JFMC holds a portion of its investments in the JFMC Pooled Endowment Portfolio, LLC (see Note 2). JFMC is the manager and administrator of the PEP and is also the majority owner of the PEP. As manager, JFMC owned 82.2 and 79.2 percent of the PEP's ownership interest as of June 30, 2018 and 2017, respectively. For the fiscal years ended June 30, 2018 and 2017, JFMC owned an additional 10.5 and 9.4 percent, respectively, of the PEP through its subsidiary Michael Reese Health Trust.

Michael Reese Health Trust (Trust) – The Michael Reese Health Trust is a private charitable foundation whose mission is to support and encourage charitable, educational, and research activities related to health care in the Chicago metropolitan area. JFMC is the sole member of the Trust.

Support Foundations – Support Foundations are separate, not-for-profit corporations which are funded by various donors to support the broad charitable purpose of JFMC (see Note 3). JFMC has both control of the board of directors and an economic interest in the Support Foundations and, accordingly, the Support Foundations have been consolidated into JFMC's financial statements.

The Community Foundation for Jewish Education of Metropolitan Chicago (CFJE) – CFJE was a not-for-profit corporation whose mission was to foster, promote, support, develop, encourage and maintain educational purposes and functions of JFMC. JFMC was the sole member of CFJE and controlled the Board of Directors. Effective June 30, 2017, JFMC dissolved this entity and it is now reflected as a department of JFMC.

The Covenant Foundation – The Covenant Foundation is a not-for-profit organization whose mission is to build on existing strengths within the field of Jewish education across all denominations through all forms of pre-collegiate and adult Jewish education. JFMC has a controlling financial interest in the Covenant Foundation through a majority voting interest of the Board of Directors.

A summary of significant accounting policies followed by JFMC is as follows:

Basis of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and in conformity with accounting principles applicable to not-for-profit organizations.

Principles of consolidation: In accordance with the accounting guidance on reporting of related entities by not-for-profit organizations, JFMC's consolidated financial statements consolidate the activities of the PEP, Trust, Support Foundations, CFJE and Covenant Foundation (collectively referred to as the Federation). All inter-organizational balances and transactions have been eliminated in consolidation.

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

Basis of presentation: The Federation follows the accounting guidance on financial statements of not-for-profit organizations, which establishes standards for general-purpose external financial statements issued by not-for-profit 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. Also included in unrestricted net assets are donor advised funds and long-term investments. Items that affect (i.e., increase or decrease) this net asset category include amounts received from government agencies, 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 the activities of certain types of board designated funds, support foundations and philanthropic support. Also included in this category are unrestricted contributions, indirect public support, investment income (inclusive of gains and losses on investment activity) 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 will be met either by actions of the Federation or the passage of time. Items that affect this net asset category are restricted contributions and grants. These amounts are reclassified to unrestricted net assets when such restrictions are met or have expired.

Permanently restricted net assets: Net assets restricted by donors to be invested in perpetuity are reflected as permanently restricted net assets. Permanently restricted net assets also include beneficial interests in charitable trusts. Investment income, including realized and unrealized gains on such assets, is recorded directly in temporarily restricted income until appropriated for expenditure unless specifically restricted by the donor.

Noncontrolling interest in investments: Noncontrolling interest in investments represents the portion of equity in the PEP owned by five other not-for-profit organizations not affiliated with the Federation. The profit or loss derived from the performance of the PEP is allocated to all members of the PEP including the noncontrolling interest as reflected in the consolidated statements of activities. Noncontrolling interest on the accompanying consolidated financial statements relates to the minority members' 7.2 and 11.4 percent share of the PEP at June 30, 2018 and 2017, respectively.

Contributions: Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions also include legacies and bequests, the amounts of which are not currently determinable, and are recorded as received.

Cash and cash equivalents: Cash equivalents are defined as all highly liquid investments purchased with an original maturity of three months or less. The cash balance exceeds federally insured limits. However, the Federation has not experienced any losses in such accounts and management does not believe that it is exposed to any significant credit risk.

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

Investments: Investments are reported at fair value. The difference between the aggregate fair values of investments as of the end of the year and their fair values at the beginning of the year for investments still owned (or the cost, for acquisitions during the year) and the net gain or losses on dispositions of investments are reflected as net gain or loss on investment activity. Dividend and interest income are reported as investment income on the consolidated statements of activities.

Pledges and other receivables: Pledges receivable are recorded for a donor's unconditional promise to give to the Federation. The allowance for doubtful pledges is based on management's estimate of the collectability of identified receivables (see Note 6).

Pledges receivable are also recorded net of a discount to present value applied to the long-term portion of any multi-year pledge. The discount is amortized over the term of the pledge, and amortization is recorded as contribution revenue on the consolidated statements of activities.

Other receivables primarily consist of foundation and government grants receivable and miscellaneous receivables which are expected to be collected in fiscal year 2019. Based on historical experience and an analysis of specific accounts, management has determined that no allowance for doubtful accounts is necessary for other receivables.

JFMC Facilities Corporation (Facilities): Due from Facilities (a special purpose entity) consists primarily of amounts relating to tax exempt financing and advances to meet cash flow requirements. In addition, the Federation occupies office space owned by Facilities in Chicago, Illinois. Occupancy expense paid by the Federation to Facilities for the years ended June 30, 2018 and 2017, was $884 and $534, respectively.

Redemptions receivable from underlying funds: This asset consists of investment redemptions in transit at year-end related to the underlying funds invested in the PEP.

Advanced contributions to underlying funds: This asset consists of contributions made by the Federation and the PEP to investment subscriptions that were in transit at fiscal year-end.

Beneficial interest in charitable trusts: The Federation has recorded as an asset its beneficial interest in several irrevocable charitable trusts. Distributions received from the charitable trusts are recorded as unrestricted operating revenue.

Subscriptions received in advance: This liability consists of cash received from members and/or Tracking Unitholders (see Note 2) that contributed to the PEP during the year to be effective for the following fiscal year.

Withdrawals payable: This liability consists of withdrawals requested in June by members and/or Tracking Unitholders that are not paid until July 1 of the following fiscal year.

Charitable gift annuity and charitable remainder trust obligations: The Federation has entered into various charitable gift annuities and charitable remainder trust agreements with its donors. The Federation is obligated to make payments to the annuitants and trust recipients for the remainder of their lives. This liability is included in the funds held for others on the consolidated statements of financial position. The contributed funds for charitable gift annuities and charitable remainder trusts are recorded on the date the agreement or trust is recognized. Charitable gift annuities and charitable remainder trusts received for the benefit of third-party beneficiaries are recorded at fair value in the Custodian funds (see Note 9).

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

Donor advised funds: Individuals may establish donor advised funds, whereby each fund and its related earnings may be distributed to charities recommended by the donor, subject to the approval of the Federation. Donor advised funds are classified as unrestricted net assets.

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

Refugee and Immigrant Social Service Program: The Federation administers state funds allocated for specified services to refugees and immigrants on behalf of the Illinois Department of Human Services. Funds received and distributions made to participating agencies under these programs are accounted for in the undesignated fund. All costs incurred by the Federation in connection with administering the programs, and reimbursements for such costs from the state agency, are reflected as program expenses and grant revenue on the consolidated statements of activities.

Fair value of financial instruments: The fair value of the Federation's other assets and liabilities that qualify as financial instruments under the accounting guidance on measuring fair value of financial instruments approximates the carrying amounts presented in the consolidated statements of financial position due to the short term maturity of these assets. The carrying amounts reflected in the consolidated statements of financial position for loans and pledges receivable, charitable remainder and annuity trusts, bank loans and tax exempt debt approximate their respective fair values because discount and interest rates applied are consistent with current market rates. Management has estimated the fair values by discounting expected cash flows using interest rates that management believes are approximately equal to the interest rates currently available for similar financing arrangements.

Derivative financial instruments: Interest rate swap arrangements are recognized as either an asset or liability at fair value in the consolidated statements of financial position, with changes in fair value reported as net unrealized losses or gains in other revenue on the consolidated statements of activities. The Federation does not consider any derivative instruments to be hedging instruments in accordance with hedge accounting guidance.

Income taxes: JFMC, its Support Foundations, Covenant Foundation, CFJE, and the Trust, are Illinois not-for-profit corporations, and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. However, income from certain activities not directly related to the Federation’s tax-exempt purposes, such as unrelated business income allocated from investment partnerships, is subject to taxation.

The PEP, a Delaware LLC, is not subject to federal income tax because its income and losses are includable in the tax returns of its members. The PEP may be required to file returns in various state and local jurisdictions as a result of its operations and the residency of its members.

The accounting standard on accounting for uncertainty in income taxes 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, the Federation 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 the Federation and various positions related to the potential sources of unrelated business taxable income. 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. At June 30, 2018 and 2017, there were no unrecognized tax benefits identified or recorded as liabilities.

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

JFMC, the Covenant Foundation, and certain Support Foundations file Forms 990 and 990-T in the U.S. federal jurisdiction and the State of Illinois. The remaining Support Foundations file Form 990 and the Trust files Form 990-PF in the U.S. federal jurisdiction and the State of Illinois. JFMC and its subsidiaries are generally no longer subject to examination by the Internal Revenue Service for years before fiscal year 2015.

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 based on specific identification or estimates made by management.

Reclassifications: Certain items for fiscal year 2017 have been reclassified to conform to fiscal year 2018 classifications with no effect on net asset classifications or changes in net assets.

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.

Recent accounting pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (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 JFMC in the fiscal year ending June 30, 2019; early adoption is allowed.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP. The updated standard will be effective for the Federation’s June 30, 2020, financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarified when contributions should be deemed conditional. The updated standard will be effective for the Federation’s June 30, 2020, financial statements.

In August 2018, FASB Issued Accounting Standard Update No. 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework – Changes in the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”). The amendments in ASU 2018-13 affect any entity that is required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The new standard is effective for JFMC in the fiscal year ending June 30, 2021.

Note 2. JFMC Pooled Endowment Portfolio, LLC

The PEP is a Delaware limited liability company that was organized by JFMC in 2011 and commenced operations on July 1, 2011, upon the transfer of investments and equity from the Federation (the Manager). As Manager, the Federation makes all investment decisions of the PEP. The PEP was created to serve as an endowment investment solution for charitable organizations pursuing philanthropic goals and provides access to professional investment management, administration and reporting for its members. The PEP may purchase, hold or sell investments directly or through one or more vehicles formed to facilitate the purchase, holding or sale of such investments, including one or more master funds or other entities formed for tax, administrative or operational reasons.

Each member of the PEP has a direct ownership interest in the underlying assets of the PEP and is required to be a not-for-profit organization as described by Section 501(c)(3) of the Internal Revenue Code. The minimum initial investment required to subscribe for an interest in the PEP is $1,000 and the minimum additional investment required of investors is $100. The Manager may, in its sole discretion, accept subscriptions for a lesser amount or establish different minimum amounts in the future. The Manager may accept subscriptions as of the first business day of each month. The Manager, in its sole discretion, may accept or reject, in whole or in part, any subscription.

As defined in the LLC agreement, withdrawals can be made by members on a monthly basis subject to certain limitations described below. If the withdrawal request exceeds 40 percent of a member’s average monthly account balance, the manager will pay 50 percent of the withdrawal request in the current month and the remaining balance will be paid over a five year period (the “Investor Gate”). Additionally, the amount of aggregate withdrawal requests during any given month shall be limited, on a proportionate basis among redeeming members (excluding any from the Manager), to an amount equal to 10 percent of the net asset value of the PEP (the “Fund Gate”). The remaining amount of withdrawal requests in excess of the Fund Gate will be given priority over subsequent withdrawal requests in subsequent months, but continue to be subject to the Fund Gate. Members are required to provide the Manager with written notice of withdrawal requests by the 15th of each month.

The outside members’ equity in the PEP was $76,190 and $118,660 as of June 30, 2018 and 2017, respectively, which is reflected as noncontrolling interest in investments on the consolidated statements of financial position.

JFMC also offers contract rights (Tracking Units) to certain qualified investors (Unitholders) who do not meet the requirements for direct ownership interest in the PEP as defined above. Each Unitholder must be a not-for-profit organization as described by Section 501(c)(3) of the Internal Revenue Code. By purchasing Tracking Units, a Unitholder is able to participate indirectly in the PEP’s investment return through the JFMC's investment in the PEP. The Tracking Units do not represent a direct ownership in the PEP. They represent solely a right to receive redemption payments from the Manager as defined in the Tracking Unit agreement. The Unitholders held $305,417 and $268,668 of JFMC’s investment in the PEP as of June 30, 2018 and 2017, respectively, which is reported as a liability on the consolidated statements of financial position.

Subscriptions for Tracking Units are accepted as of the first business day of each month, with at least five calendar days' written notice prior to the first day of the month. The minimum initial investment for Tracking Units is $1,000 and the minimum additional investment required is $100. The number and value of Tracking Units purchased is determined by the Manager, in its sole discretion, based on the value of the PEP as of the date the Tracking Units are purchased and in accordance with the valuation policies and procedures set forth in the PEP's governing documents.

(In Thousands)

Note 2. JFMC Pooled Endowment Portfolio, LLC (Continued)

A Unitholder may withdraw all or any portion of its Tracking Units, subject to certain limitations described in the PEP's governing documents, effective as of the last business day of the month. Unitholders are required to provide the Manager with written notice of withdrawal requests by the 15th of each month.

The Manager, in its sole discretion, determines the number of Tracking Units to redeem as a result of the Unitholder's withdraw request by valuing each Tracking Unit in accordance with the valuation policies and procedures set forth in the PEP's governing documents.

Note 3. Support Foundations

As of June 30, 2018 and 2017, various Support Foundations were consolidated within the Federation's financial statements. The Support Foundation assets are classified as unrestricted and their revenue and expenses are reported in the "long-term investments" column on the consolidated statements of activities. The following table presents the activity of these Support Foundations.

	2018	2017
Assets:		
Investments and other assets	$ 826,149	$ 599,135
Liabilities:		
Distributions payable	$ 25,146	$ 21,829
Net assets	801,003	577,306
	$ 826,149	$ 599,135
Revenues:		
Contributions	$ 195,461	$ 18,906
Investment income	4,220	3,413
Gain on investment activity, net	75,233	75,230
Other income	15	29
	274,929	97,578
Expenses:		
Distributions	49,852	39,925
Other expenses	1,380	778
	51,232	40,703
Increase in net assets	$ 223,697	$ 56,875

During 2018, the Federation received contributions from family support foundations and trusts, which are charitable organizations established to foster, promote, support, develop, encourage and maintain the broad charitable, educational and religious purposes of the Federation. The fair value of the assets contributed totaled approximately $172,120 during the year ended June 30, 2018.

(In Thousands)

Note 4. Appropriations

Appropriations to JFMC's affiliated agencies and other beneficiaries, which are approved by the Board of Directors, was $39,455 and $38,632 for fiscal years ended June 30, 2018 and 2017, respectively.

The following table presents changes in the appropriations overpayments and advances and liability accounts for the fiscal years ended June 30, 2018 and 2017.

Balance, June 30, 2016		
Overpayments and advances	$	(147)
Liability		1,489
	$	1,342
Changes during fiscal year 2017		
Appropriations and adjustments		
Affiliated agencies	$	23,043
Others		15,589
		38,632
Payments		39,162
Net changes	$	(530)
Balance, June 30, 2017		
Overpayments and advances	$	(28)
Liability		840
	$	812
Changes during fiscal year 2018		
Appropriations and adjustments		
Affiliated agencies	$	23,043
Others		16,412
		39,455
Payments		39,400
Net changes	$	55
Balance, June 30, 2018		
Overpayments and advances	$	(20)
Liability		887
	$	867

(In Thousands)

Note 4. Appropriations (Continued)

In accordance with the Principles of Affiliation Agreements between JFMC and its affiliated agencies, the affiliated agencies may not negotiate any merger or material transfer of their assets without approval of JFMC and, in the event of any liquidation, dissolution or winding up of the affairs of an affiliated agency, the net proceeds, after payment of all debts, are to be distributed to JFMC.

Note 5. Shared Costs

Pursuant to an arrangement between the Jewish United Fund and JFMC (which operate from common premises and in many instances utilize the same personnel), the Jewish United Fund makes expenditures for all "common expenses" and charges JFMC for its respective share thereof. Such "common expenses" are allocated among the two organizations.

For fiscal years ended June 30, 2018 and 2017, Jewish United Fund has charged JFMC the net amounts of $3,713 and $3,275, respectively.

Note 6. Pledges and Other Receivables

Temporarily restricted pledges receivable as of June 30, 2018, consist primarily of unconditional pledges from various individuals. The pledges have been made to support various Federation-sponsored programs and projects including the Ida Crown Jewish Academy Project Endowment Fund, Jewish Day School Guaranty Trust Fund, Joan Dachs Bais Yaakov Elementary School Project Endowment Fund, Chicago Jewish Day School, Center for Jewish Genetics Program, Right Start Program and Jewish Women's Foundation. All pledges expected to be collected after June 30, 2018, are discounted using rates ranging from 1.5 - 4.4 percent. Pledges are payable as follows:

2019	$ 8,175
2020	2,232
2021	1,208
2022	2,530
2023	453
Thereafter	10,838
	25,436
Allowance for uncollectible pledges	(1,691)
Discount to present value	(512)
	$ 23,233

Other receivables (unrestricted and custodian) of $11,204 are primarily comprised of an amount due from an affiliated agency for its share of the interest rate swap liability of $1,290 (see Note 13), grants receivable of approximately $8,020 and other miscellaneous receivables.

(In Thousands)

Note 7. Distributions to Beneficiaries

Distributions are paid to beneficiaries from undesignated net assets (transferred from temporarily restricted net assets in satisfaction of specific donor restrictions) and from board designated net assets (donor advised and other donor directed funds). A summary of distributions paid is as follows:

	2018	2017
Distributions from undesignated net assets		
represented by transfer of net assets released from restriction:		
The ARK	$ 43	$ 45
Center for Jewish Genetics	167	148
Chicago Jewish Day School	7,645	9,541
CJE SeniorLife	125	131
Disaster relief	1,170	339
Financial assistance for students	693	562
Hillel Torah North Suburban Day School	4	39
Holocaust Community Services	1,104	1,074
Jewish Agency for Israel	353	275
Jewish Child and Family Services	231	134
Jewish Community Centers of Chicago	93	33
Jewish Day Schools	1,641	1,710
Jewish United Fund of Metropolitan Chicago	72	81
JFMC Facilities Corporation - Hillman ballfield at Horwich building	5	5
Leadership training	18	19
Mt. Sinai Hospital Medical Center of Chicago	1,109	-
Right Start program	600	600
Spertus College of Judaica	209	209
Summer Camp Program	61	37
Trips to Israel	35	36
University Hillel buildings and Hillel programs	165	179
Youth leadership programs	83	84
Various other charities	214	145
Represented by transfer of net assets released from restriction, forward	$ 15,840	$ 15,426

(In Thousands)

Note 7. Distributions to Beneficiaries (Continued)

	2018	2017
Distributions from undesignated net assets represented by transfer of net assets released from restriction, forwarded	$ 15,840	$ 15,426
Designated:		
Donor advised funds:		
Federation	1,559	1,225
Jewish United Fund	8,089	4,882
Other philanthropic organizations	34,560	27,263
	44,208	33,370
Other:		
The ARK	209	217
Associated Talmud Torahs	9	9
Camping program for the aged	7	8
CJE SeniorLife	1,201	1,319
Emergency and special projects	66	140
Financial assistance for students	82	85
Grants paid from Covenant Foundation	1,965	1,688
Grants paid from Support Foundations to various charities	49,852	39,925
Ida Crown Jewish Academy	2,204	2,179
Jewish Child and Family Services	1,568	860
Jewish Community Centers of Chicago	1,920	2,026
Jewish Day Schools	5	5
Jewish United Fund	193	195
Jewish Vocational Services	33	39
Jewish Women's Foundation	471	460
JFMC Facilities Corporation	4,669	9,669
Joan Dachs Bais Yaakov Day School	677	259
Resident camp scholarship program	12	13
Scholar in residence	8	8
Spertus College of Judaica	664	669
University Hillel buildings and Hillel programs	398	2,100
Various other charities	263	396
	66,476	62,269
Total designated funds	110,684	95,639
Total	$ 126,524	$ 111,065

(In Thousands)

Note 8. Loans Receivable - Affiliated Agencies and Other Beneficiaries

Loans receivable due from affiliated agencies and other beneficiaries consisted of the following:

	2018	2017
Jewish Child and Family Services (JCFS)		
(a) Noninterest bearing loan to finance merger costs of Jewish Family and Community Services and Jewish Children's Bureau. Repayment of the loan began in fiscal 2010 at $75 per year through 2029.	$ 853	$ 928
(b) Loan to finance costs of consolidating Jewish Child and Family Services and Jewish Vocational Services (bearing interest at 1.53% over a 5 year period with final payment due in 2020).	183	288
Balances, forward	$ 1,036	$ 1,216

(In Thousands)

Note 8. Loans Receivable - Affiliated Agencies and Other Beneficiaries (Continued)

	2018	2017
Balances, forwarded	$ 1,036	$ 1,216
JFMC Facilities Corp. (Facilities)		
(a) Loan to finance operating deficits of the Goldie Bachman Luftig Building, to be repaid from future rents, bearing interest at 3.6%.	2,362	2,291
(b) Loans to finance various projects for affiliated agencies (bearing interest at varying rates ranging from 5.5% - 7.7%, maturing at various dates through 2037).	81	85
(c) Loan to finance construction costs associated at the Weinger Jewish Community Center (Weinger JCC) bearing interest at 5.98%, was repaid in full in September 2018.	62	80
(d) Noninterest bearing loan to finance a portion of debt service on the Weinger JCC debt arrangements. Loan was repaid in full in September 2018.	3,231	3,231
(e) Loan to finance road improvements at the "Z" Frank Apachi Day Camp bearing interest at a rate of 4% and payable over a 25-year period ending in 2034.	83	86
(f) Loan to finance improvements at the Elaine Kersten Children's Center bearing interest at 4.5% per annum. Loan was collected in full during fiscal year 2018.	-	279
Balances, forward	$ 6,855	$ 7,268

(In Thousands)

Note 8. Loans Receivable - Affiliated Agencies and Other Beneficiaries (Continued)

	2018	2017
Balances, forwarded	$ 6,855	$ 7,268
JFMC Facilities Corp. (Facilities) (Continued)		
(g) Loans to finance roof and parking lot improvements at the Bernard Howich Jewish Community Building, bearing interest at 4.5% per annum over 20 and 25-year periods with final payment due in 2029 and 2034.	297	313
(h) Loan to finance renovations at 30 S. Wells, bearing interest at a rate of 3.98%, payable monthly over a 15-year period, with final payment due in 2029.	172	184
Jewish United Fund		
Loan for software internally developed by Jewish United Fund, bearing interest at 3.15%, was collected in full during fiscal year 2018.	-	942
Other Organizations		
(a) Loans made to various day schools to provide the cash match requirement to receive funding from the U.S. Department of Homeland Security Grants for security improvements at the schools. These loans bear interest at various rates (1% per annum plus the long-term Treasury bill rate) based on the term of the loan. Principal and interest payments are payable monthly, maturing at various dates through 2029.	97	111
(b) Loans to affiliated agencies (CJE SeniorLife, JCFS Jewish Community Centers of Chicago, and JVS) to finance implementation costs of new payroll and human resources information system (see Note 12). Loan bears interest at 2.9% over a 5 year period with final payments due in 2021.	407	546
(c) Others	290	306
	$ 8,118	$ 9,670

Note 9. Fair Value of Financial Instruments and Investments

As described in Note 1, the Federation reports 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. The Federation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. 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). The three levels of the fair value hierarchy are described below.

Level 1. Unadjusted quoted prices for identical assets or liabilities in active markets that the Federation has the ability to access at the measurement date. Assets included in Level 1 include investments in money market funds, mutual funds, certain commodities and investments in various equity and credit assets.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Assets and liabilities included in Level 2 include investments in corporate notes, less liquid and restricted equity securities, debt securities, government securities and bonds and interest rate swaps. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

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. Assets and liabilities that are included in Level 3 include beneficial interest in charitable trusts and charitable remainder and annuity trusts.

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 Federation’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 availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The Federation has established valuation processes and procedures for Level 3 investments to ensure proper reporting with the fair value hierarchy and in accordance with GAAP. The Federation is responsible for the valuation processes and procedures of the Level 3 investments, conducting periodic reviews of the valuation policies and determining the proper and consistent application of the valuation policies. The Federation periodically reviews and approves the valuations of the Level 3 investments.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

Note 9. Fair Value of Financial Instruments and Investments (Continued)

The Federation assesses the levels of the investments 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 the Federation's accounting policies regarding the recognition of transfers between levels of the fair value hierarchy. During the fiscal years ended June 30, 2018 and 2017, no such transfers were made.

For the fiscal years ended June 30, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent with previous years. The following is a description of the valuation methodologies used for investments, beneficial interest in charitable trusts, derivative instruments and charitable remainder and annuity trusts measured at fair value:

Investments

Investments in money market funds, U.S. Treasury bills, registered investment companies, which include mutual funds and exchange traded funds, 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. Options are valued at the mid-price between the highest bid and lowest ask price on the day of valuation across all listed exchanges. 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.

Investments in government securities and bonds and corporate notes and debt securities which are traded on a national securities exchange or market are valued at the mean between the current "bid" and "asked" quotations on that day. If a reliable bid and asked quotation cannot be obtained from a national securities exchange, the security is priced at the mean between the bid and asked quotation of a reliable market maker. If the investments are not traded on an exchange, they are stated at cost plus accrued interest, which approximates the fair value. These financial instruments are classified as Level 2 in the fair value hierarchy.

Investments in non-registered investment companies consisting of certain equity funds, hedged credit funds, private credit funds, opportunistic funds and also real asset and real estate funds, are valued at fair value as determined by the Federation based on net asset information (practical expedient) provided by the underlying investment managers. In determining fair value, the Federation utilizes the valuation reflected on the financial statements and other financial reports of the underlying investment entities. The underlying investment entities value securities and other financial instruments on a fair value based upon market price, when possible, or at fair value determined by the respective entities' investment manager when no market price is determinable. Although the Federation and the underlying investment managers use their best judgment in estimating the fair value of alternative investments and investments in funds, there are inherent limitations in any estimation technique. The estimated fair values of certain of the investments of the underlying investment entities, which may include derivatives, securities and other designated or side pocketed investments for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and differences could be material.

(In Thousands)

Note 9. Fair Value of Financial Instruments and Investments (Continued)

The practical expedient allows for investments in non-registered investment companies, to be valued at the net asset value (NAV) which represents fair value.

In instances in which an underlying investment fund has invested in securities that have less liquidity, such investments may be held in a "side pocket." Generally, side pockets are illiquid with no active market. Accordingly, side pocket interests are generally valued using unobservable inputs. The fair value of the Federation's investment in underlying funds which are designated or side pocketed were approximately $8,000 and $6,000 as of June 30, 2018 and 2017, respectively.

Beneficial Interest in Charitable Trusts

The fair value of the beneficial interest in charitable trusts is determined based upon the Federation's proportional interest in the fair value of the trusts' assets. The underlying trusts' assets are either readily marketable and have fair values which are determined by obtaining quoted market prices in active markets, or are determined by the trusts using information provided by the related investment managers. The beneficial interest in charitable trusts is classified as Level 3.

Balance, July 1, 2016	$	36,544
Change in value		2,297
Balance, June 30, 2017		38,841
Change in value		947
Balance, June 30, 2018	$	39,788

Derivative Instruments

As further described in Note 13, the Federation uses interest rate swaps to manage interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and uses observable market based inputs, including LIBOR rate curves. The 30-day LIBOR rate as of June 30, 2018 and 2017, is 2.07 and 1.22 percent, respectively. The interest rate swaps are classified as Level 2.

The Federation previously invested in an option-based tail risk protection program which was managed by Wells Fargo Portfolio Risk Advisors. During fiscal year 2018, this program was terminated and as of June 30, 2018, the Federation had no open derivative financial instruments within the option-based tail risk protection program.

Note 9. Fair Value of Financial Instruments and Investments (Continued)

As of June 30, 2017, the Federation's derivative financial instruments, within the option-based tail risk program managed by Wells Fargo Portfolio Risk Advisors, consisted of the following:

Risk Type	Derivative Type	Fair Value of Derivative Assets	Number of Contracts	Fair Value of Derivative Liabilities	Number of Contracts *	Net Amount
Equities Price	Put options	$ 2,111	2,848	$ (432)	(240)	$ 1,679

* Number of contracts are reported at actual amount, not in thousands.

The following tables set forth the Federation's gains (losses) related to the put options for the years ended June 30, 2018 and 2017 by certain risk types. These gains (losses) should be considered in the context that derivative contracts may have been executed to economically hedge securities and accordingly, gains or losses on derivative contracts may offset gains or losses attributable to securities. These gains (losses) are included in gain (loss) on investment activity in the consolidated statements of activities:

		2018		
	Contract Risk	Net Realized Loss on Investments	Net Change in Unrealized Gain on Investments	Number of Contracts *
Put options	Equities price	$ (5,988)	$ 3,753	6,661

		2017		
	Contract Risk	Net Realized Loss on Investments	Net Change in Unrealized Loss on Investments	Number of Contracts *
Put options	Equities price	$ (1,560)	$ (533)	4,265

* Number of contracts are reported at actual amount, not in thousands.

The Federation's exposure to option contracts was insignificant to total net assets throughout the year. The Federation did not consider any derivative instruments, within the option-based tail risk program managed by Wells Fargo Portfolio Risk Advisors, to be hedging instruments as defined under GAAP. The Federation's derivatives, within the option-based tail risk program managed by Wells Fargo Portfolio Risk Advisors, were not subject to master netting arrangements.

Charitable Remainder and Annuity Trusts

Assets received for charitable gift annuities and charitable remainder trusts are recorded at fair value in the unrestricted and temporarily restricted funds, respectively, until the Federation's obligations to the annuitants have been met. The difference between the fair value of assets contributed and obligations recorded is recognized as contribution revenue.

(In Thousands)

Note 9. Fair Value of Financial Instruments and Investments (Continued)

Liabilities for the charitable gift annuities and charitable remainder trusts are recorded in an amount equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables, as funds held for others on the consolidated statements of financial position. The remainder interests are computed and measured at fair value using a present value discount rate ranging from 4.00 to 7.00 percent. In computing the liability, management considers the estimated return on the invested assets and the contractual payment obligation during the expected term of each respective annuity agreement. The fair value estimates are classified as Level 3.

Balance, July 1, 2016	$ 17,089
Liability portion of charitable gifts received	341
Realized gain	439
Actuarial decrease in the present value of annuities	(807)
Liquidations from restriction	(720)
Balance, June 30, 2017	16,342
Liability portion of charitable gifts received	746
Realized gain	1,233
Actuarial increase in the present value of annuities	41
Liquidations from restriction	(2,749)
Balance, June 30, 2018	$ 15,613

(In Thousands)

Note 9. Fair Value of Financial Instruments and Investments (Continued)

The following table presents the Federation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2018:

	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value (1)	Total
Assets					
Investments:					
Money market funds	$ 177,701	$ -	$ -	$ -	$ 177,701
Corporate notes	-	28	-	-	28
Government securities	-	208	-	-	208
Common stocks	272,419	-	-	-	272,419
State of Israel bonds	-	8,932	-	-	8,932
Investment in underlying funds:					
Equity:					
U.S. large cap equity	45,975	-	-	60,361	106,336
U.S. mid cap equity	622	-	-	617	1,239
U.S. small cap equity	647	-	-	39,329	39,976
Emerging markets equity	-	-	-	67,992	67,992
Developed international equity	15,367	-	-	259,177	274,544
Hedged equity	-	-	-	113,190	113,190
Private equity and fund of funds	-	-	-	288,371	288,371
Credit:					
Hedged credit	-	-	-	96,874	96,874
Core credit	9,852	-	-	18,703	28,555
Non-core credit	-	-	-	-	-
Private credit	-	-	-	35,144	35,144
Opportunistic	-	-	-	25,794	25,794
Real assets	-	-	-	94,704	94,704
Real estate	-	-	-	66,553	66,553
Other	-	-	5,466	-	5,466
	$ 522,583	$ 9,168	$ 5,466	$ 1,166,809	1,704,026
Certificates of deposit					3,468
Total					$ 1,707,494
Beneficial interest in charitable trusts	$ -	$ -	$ 39,788	$ -	$ 39,788
Liabilities					
Interest rate swaps	$ -	$ 11,855	$ -	$ -	$ 11,855
Charitable remainder and annuity trusts	-	-	15,613	-	15,613
	$ -	$ 11,855	$ 15,613	$ -	$ 27,468

(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 tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

(In Thousands)

Note 9. Fair Value of Financial Instruments and Investments (Continued)

The following table presents the Federation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2017:

	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value [1]	Total
Assets					
Investments:					
Money market funds	$ 50,166	$ -	$ -	$ -	$ 50,166
Commodities	25,937	-	-	-	25,937
Put options	1,679	-	-	-	1,679
Corporate notes	-	28	-	-	28
Government securities	5,996	209	-	-	6,205
Common stocks	238,837	-	-	-	238,837
State of Israel bonds	-	8,916	-	-	8,916
Investment in underlying funds:					
Equity:					
U.S. large cap equity	70,078	-	-	55,525	125,603
U.S. mid cap equity	1,040	-	-	2,777	3,817
U.S. small cap equity	13,066	-	-	73,354	86,420
Emerging markets equity	36,598	-	-	40,630	77,228
Developed international equity	43,462	-	-	193,682	237,144
Hedged equity	-	-	-	130,603	130,603
Private equity and fund of funds	-	-	-	215,773	215,773
Credit:					
Hedged credit	-	-	-	108,381	108,381
Core credit	28,886	-	-	43,377	72,263
Non-core credit	-	-	-	17,490	17,490
Private credit	-	-	-	16,215	16,215
Opportunistic	-	-	-	60,637	60,637
Real assets	-	-	-	76,055	76,055
Real estate	-	-	-	80,171	80,171
Other	-	-	4,478	-	4,478
	$ 515,745	$ 9,153	$ 4,478	$ 1,114,670	1,644,046
Certificates of deposit					3,564
Total					$ 1,647,610
Beneficial interest in charitable trusts	$ -	$ -	$ 38,841	$ -	$ 38,841
Liabilities					
Interest rate swaps	$ -	$ 18,513	$ -	$ -	$ 18,513
Charitable remainder and annuity trusts	-	-	16,342	-	16,342
	$ -	$ 18,513	$ 16,342	$ -	$ 34,855

(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 tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

(In Thousands)

Note 9. Fair Value of Financial Instruments and Investments (Continued)

The following tables summarize the PEP's investments by geographic region as of June 30, 2018 and 2017.

	2018		
Country	Cost	Fair Value	Fair Value as a Percent of PEP Net Assets
British Virgin Islands	$ 29,142	$ 30,607	2.90%
Cayman Islands	193,328	213,134	20.22%
Guernsey	5,822	8,220	0.78%
Mauritius	9,179	4,213	0.40%
United Kingdom	25,252	24,114	2.29%
United States	466,161	571,647	54.22%
	$ 728,884	$ 851,935	80.81%

	2017		
Country	Cost	Fair Value	Fair Value as a Percent of PEP Net Assets
British Virgin Islands	$ 72,029	$ 72,989	7.01%
Cayman Islands	241,669	257,714	24.76%
Guernsey	5,245	6,866	0.66%
Mauritius	10,693	7,121	0.68%
United Kingdom	22,500	26,116	2.51%
United States	542,988	663,183	63.73%
	$ 895,124	$ 1,033,989	99.35%

Financial instruments classified as Level 3 in the fair value hierarchy represent the Federation's investments in financial instruments in which the Federation has used at least one significant unobservable input in the valuation model. The following presents a reconciliation of activity for Level 3 investments:

Balance, July 1, 2016	$ 4,981
Loss on investments activity (realized and change in unrealized)	(503)
Balance, June 30, 2017	4,478
Gain on investments activity (realized and change in unrealized)	988
Balance, June 30, 2018	$ 5,466

(In Thousands)

Note 9. Fair Value of Financial Instruments and Investments (Continued)

The tables below present the Federation's ability to redeem an investment in underlying funds valued at net asset value or its equivalent as of June 30, 2018 and 2017, and include the underlying investment entities' redemption frequency and redemption notice period. The tables also include a summary of the significant categories of such investments measured at net asset value, their attributes and investment strategies as of June 30, 2018 and 2017:

	June 30, 2018		
	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity:			
U.S. large cap equity (a)	$ 60,361	Quarterly	60 days
U.S. mid cap equity (a)	617	Illiquid	N/A
U.S. small cap equity (a)	39,329	Semi-annual	Less than or equal to 90 days
Emerging markets equity (b)	67,992	Various	Less than or equal to 90 days
Developed international equity (c)	259,177	Various	10 days - 1 year/N/A
Hedged equity (d)	113,190	Various	10-120 days/N/A
Private equity and fund of funds (e)	288,371	Illiquid	N/A
Credit:			
Hedged credit (f)	96,874	Various	30-180 days/N/A
Core credit (g)	18,703	Various	9-180 days/N/A
Private credit (i)	35,144	Various	Less than or equal to 90 days
Opportunistic (j)	25,794	Various	2-95 days
Real assets (k)	94,704	Various	45-120 days/N/A
Real estate (l)	66,553	Illiquid	N/A
	$ 1,166,809		

(In Thousands)

Note 9. Fair Value of Financial Instruments and Investments (Continued)

	June 30, 2017		
	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity:			
U.S. large cap equity (a)	$ 55,525	Various	Less than or equal to 60 days
U.S. mid cap equity (a)	2,777	Annual/Illiquid	90 days/N/A
U.S. small cap equity (a)	73,354	Various	Less than or equal to 90 days
Emerging markets equity (b)	40,630	Various	Less than or equal to 90 days
Developed international equity (c)	193,682	Various	5 days - 1 year/N/A
Hedged equity (d)	130,603	Various	Less than or equal to 120 days/N/A
Private equity and fund of funds (e)	215,773	Illiquid	N/A
Credit:			
Hedged credit (f)	108,381	Various	30-180 days/N/A
Core credit (g)	43,377	Various	9-180 days/N/A
Non-core credit (h)	17,490	Monthly	Less than or equal to 90 days
Private credit (i)	16,215	Various	Less than or equal to 90 days
Opportunistic (j)	60,637	Various	2-95 days
Real assets (k)	76,055	Various	45-120 days/N/A
Real estate (l)	80,171	Illiquid	N/A
	$ 1,114,670		

(a) This class represents investments in mutual funds, exchange traded funds, partnerships and limited liability companies invested primarily in U.S. publicly traded companies with market capitalizations ranging from large to small. Redemptions range from daily to annually and may be subject to lock-ups.

(b) This class represents investments in mutual funds, exchange-traded funds, partnerships and limited liability companies invested primarily in companies located in emerging market economies around the globe. Redemptions are allowed daily, monthly and quarterly.

(c) This class represents investments in mutual funds, exchange-traded funds, partnerships and limited liability companies invested primarily in companies located in developed economies outside of the U.S. Redemptions range from daily to annually and may be subject to lock-ups.

(d) This class represents investments in hedge funds whose strategies include, but are not limited to, global long/short equity, distressed investments, multi-strategy and event driven. Redemptions range from monthly to annually and may be subject to lock-ups.

(e) This class represents investments in private equity funds and fund-of-funds whose strategies include, but are not limited to, international and domestic buyouts, venture capital and special situations.

Note 9. Fair Value of Financial Instruments and Investments (Continued)

(f) Hedged credit represents investments in hedge funds whose strategies include, but are not limited to, global long/short credit, structured credit and distressed investments. Redemptions range from monthly to annually and may be subject to lock-ups.

(g) This class represents investments in funds whose investments include U.S. investment grade debt and non-dollar sovereign debt. Redemptions range from monthly to annually and may be subject to lock-ups.

(h) This class represents investments in funds whose investments include structured credit, corporate debt, and emerging markets debt. Redemptions range from daily to quarterly.

(i) Private credit represents an investment that involves interests in debt obligations that are invested through an illiquid structure whose strategies include, but are not limited to, senior secured loans and distressed debt. Redemptions vary.

(j) Investment in funds who seek to make an investment that involves a strategy that does not fit neatly into “Equity” or “Credit.” This would include “skill-based” strategy vehicles that seek to earn positive risk-adjusted returns while minimizing net exposures to broad market factors, as well as “multi-strategy” or “global macro” vehicles that pursue wide ranging investment strategies incorporating multiple asset types and levels of exposure that may change significantly over time, and various types of hedging strategies. Redemptions are allowed monthly and are also subject to lock-ups.

(k) This class represents investments in funds that invest in physical or tangible assets including, but not limited to precious metals, agricultural land, and natural resources. A significant portion of these investments are illiquid; some allow redemptions on a quarterly or annual basis.

(l) This class represents investments in funds involving the purchase, ownership, management, rental and/or sale of real estate properties. These investments are illiquid.

In connection with its investing and hedging activities, the Federation enters into transactions, directly and indirectly through positions held by the underlying investment entities, 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 consolidated statements of financial position.

The Federation’s direct and indirect investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Note 9. Fair Value of Financial Instruments and Investments (Continued)

The Federation may have indirect commitments that arise through positions held by the underlying investment entities in which the PEP invests directly and indirectly. These underlying investment entities utilize a variety of financial instruments in their trading strategies including, but not limited to, equity and debt securities of U.S. and foreign issuers, options and futures, forwards and swap contracts. These financial instruments contain various degrees of off-balance-sheet risk, including both market and credit risk. Market risk is the risk of potential adverse changes to the value of the financial instruments and their derivatives because of changes in market conditions, such as, but not limited to, interest and currency rate movements and volatility in commodity or security prices. Credit risk is the risk of the potential inability of counterparties to perform under the terms of their contracts, which may be in excess of the amounts recorded in the respective investment entity's balance sheet. In addition, the underlying investment entities may sell securities not yet purchased, whereby a liability is created for the repurchase of the security at prevailing prices. The ultimate obligation to satisfy the sales of securities sold, but not yet purchased, may exceed the amount recognized on their respective balance sheets.

However, as an investor in these underlying investment entities, the Federation's financial risk is limited to the fair value of the investments, which is reflected on the consolidated statements of financial position.

The Federation has invested in underlying investment entities which may have the right to temporarily restrict withdrawals/redemptions for periods of time beyond those described above. Such restrictions have been imposed on some of the Federation's investments as of June 30, 2018 and 2017. These restrictions may restrict the Federation's ability to satisfy future withdrawal requests.

The Federation also indirectly engages in the speculative trading of certain financial instruments through its underlying investment entities.

Market risk: 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 Federation's overall exposure to market risk. The Federation attempts to control its 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. The Federation's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Federation has 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. The Federation seeks to mitigate its exposure to this credit risk by placing its cash with major institutions.

Concentration of credit risk: The Federation's managers currently invest with various managers and clearing brokers. In the event these counterparties do not fulfill their obligations, the Federation may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The Federation attempts to minimize this credit risk by monitoring the creditworthiness of the managers and clearing brokers.

(In Thousands)

Note 9. Fair Value of Financial Instruments and Investments (Continued)

Investments in underlying funds: The managers of underlying investment entities in which the Federation invests, may utilize derivative instruments with off-balance-sheet risk. The Federation's exposure to risk is limited to the amount of its investment.

As of June 30, 2018, the Federation had approximately $216,000 (2017 - $200,000) of unfunded capital commitments to various investment entities, which have no specific capital call dates and such capital calls are at the discretion of the fund managers. Management believes most of the commitments will be called sometime over the next five to ten years.

Note 10. Due from Jewish United Fund

Net amounts due from the Jewish United Fund as reflected in the unrestricted fund consisted of:

	2018	2017
Loans to meet fiscal obligations (external funding - interest rate is identical to Federation agreements under bank loans payable)	$ 3,000	$ 6,000
Amounts due for common expenses	1,141	3,931
	$ 4,141	$ 9,931

Note 11. Loans Payable

Loans payable consisted of the following:

	2018	2017
Loan to meet operating needs of the Jewish United Fund (a)	$ 3,000	$ 6,000
Loan to fund the Jewish Day School Guaranty Trust endowment fund distributions (b)	9,247	11,936
Loan to finance the consolidation of Jewish Child and Family Services and Jewish Vocational Services (c)	-	82
Loan to finance implementation costs associated with a new payroll and human resources and information system for the Federation and its affiliated agencies (d)	483	649
Loan payable (e)	10,000	10,000
	$ 22,730	$ 28,667

(In Thousands)

Note 11. Loans Payable (Continued)

(a) The Federation maintains an unsecured revolving line of credit with JP Morgan Chase Bank, N.A. (JP Morgan). Outstanding borrowings on the line of credit bear interest at LIBOR plus 0.60 percent. The agreement as amended currently permits borrowings up to $28,000 and matures August 31, 2019.

(b) The Federation previously had an unsecured revolving line of credit with JP Morgan which was used to pay distributions on behalf of the Jewish Day School Guaranty Trust, an endowment fund of the Federation. On December 22, 2016, Federation converted the line of credit to a term loan with JP Morgan, which requires quarterly payments of $743 including interest on the unpaid principal balance at 2.57 percent. This separate loan agreement extended the maturity date to July 1, 2021. Debt service on the term loan is paid from the endowment fund.

(c) During fiscal year 2014, the Federation borrowed $525 under a term loan agreement with U.S. Bank National Association bearing interest at 1.53 percent. These funds were then advanced to Jewish Child and Family Services (JCFS) to finance expenses associated with the consolidation of Jewish Vocational Services within JCFS (see Note 8). Based on the terms of a Memorandum of Understanding between JCFS and the Federation, JCFS began repaying the Federation for a portion of the debt service on this loan in July 2014. The loan was repaid in full during fiscal year 2018.

(d) In August 2014, the Federation entered into a $600 term loan agreement with Bank Leumi to provide funding for the implementation/start-up costs associated with a new payroll and human resources information system for the Federation and its affiliated agencies. The agreement allowed the Federation to draw down funds on the loan over the first twelve months at interest only, charged monthly at LIBOR plus 2.50 percent.

In September 2015, the loan was amended to increase the principal amount to $850. On March 15, 2016, the loan converted to a 5-year fully amortizing term loan at a fixed interest rate of 2.9 percent per annum. Monthly payments of principal and interest in the amount of $15 began April 17, 2016. This loan matures on February 17, 2021.

(e) In September 2015, Federation received $10,000 from a donor, in connection with a note payable that established a fund designated for a Federation program. Simultaneously, the donor made a pledge to the Federation of $10,000. The note payable bears interest at 1.77 percent. In October 2018, Federation collected $10,000 on the pledge and the was repaid in full.

Future principal maturities on the loans are as follows:

2019	$ 12,938
2020	6,010
2021	3,044
2022	738
	$ 22,730

Interest expense related to the above borrowings for each of the fiscal years ended June 30, 2018 and 2017, was approximately $461 and $364, respectively.

(In Thousands)

Note 12. Tax Exempt Debt

Tax exempt debt consisted of the following:

	2018	2017
Colorado Educational and Cultural Facilities Authority - Series G3	$ 2,405	$ 3,460
Colorado Educational and Cultural Facilities Authority - Series J1	4,260	4,420
	$ 6,665	$ 7,880

Colorado Educational and Cultural Facilities Authority - Series G3

Pursuant to an agreement dated June 1, 2012 with the Colorado Educational and Cultural Facilities Authority and Wells Fargo Bank, N.A. (Wells Fargo), the Federation received proceeds from the issuance of direct placement tax-exempt bonds (G3 bonds) in the amount of $5,015 to refinance the Series A1 and F1 bonds. The remaining proceeds of $69,820 were issued to Facilities, CJE SeniorLife and Jewish Community Centers of Chicago. Wells Fargo is the holder of the G3 Bonds, which mature in 2034.

Under the terms of the loan agreement, the debt bears interest at a variable rate, which was 68 percent of monthly LIBOR plus 1 percent during the initial interest period. The loan was renewed with Wells Fargo on the fixed mandatory repurchase date of June 1, 2017, at a rate of 68 percent of monthly LIBOR plus 0.65 percent. As a result of the Tax Job and Cuts Act of 2017 (TJCA), which reduced corporate tax rates to 21 percent, the loan was amended in June 2018 to increase the variable interest rate to 80% of monthly LIBOR plus .68 percent. This rate expires on June 1, 2022, at which time Federation expects to renew the loan. The effective interest rates for 2018 and 2017 were approximately 1.70 and 1.46 percent, respectively. The Federation has entered into a Guaranty Agreement whereby it has guaranteed the payment of the aggregate original bond principal amount.

Colorado Educational and Cultural Facilities Authority - Series J1

Pursuant to an agreement dated July 1, 2012 with the Colorado Educational and Cultural Facilities Authority and JP Morgan Chase Bank, N.A. (JPMorgan Chase), the Federation received proceeds from the issuance of a direct placement tax-exempt loan (J1 Loan) in the amount of $5,150 to refinance the Series A8 and A10 bonds. The remaining proceeds of $62,560 were issued to Facilities to refinance the Series A8 and A10 bonds. JPMorgan Chase is the holder of the loan which matures in 2038.

Under the terms of the loan agreement, the loan bears interest at a variable rate of 74 percent of the monthly LIBOR rate plus 0.85 percent. As a result of the TJCA, the loan was amended in May 2018 to increase the variable interest rate to 79 percent of monthly LIBOR plus .85 percent. This initial interest rate period expires on July 1, 2022 at which time Federation plans on renewing the loan. The effective interest rates for 2018 and 2017 were approximately 1.98 and 1.34 percent, respectively. The Federation has entered into a Guaranty Agreement whereby it has guaranteed the payment of the aggregate original bond principal amount.

(In Thousands)

Note 12. Tax Exempt Debt (Continued)

Future principal maturities on tax exempt debt is:

2019	$ 370
2020	385
2021	400
2022	410
2023	435
Thereafter	4,665
	$ 6,665

Note 13. Derivative Financial Instruments

To minimize the effect of changes in interest rates on tax exempt debt, the Federation has entered into various interest rate swap arrangements. As of June 30, 2018 and 2017, the Federation had six interest rate swap arrangements, with various financial institutions for notional amounts ranging from approximately $6,400 to $56,590, totaling approximately $170,000 of notional value.

In connection with five of the six swap arrangements, the Federation has agreed to pay fixed rates of interest equal to blended average rates of between approximately 3.1 percent to 3.6 percent, with the counterparty paying a floating rate based on a range of 68 percent to 74 percent of LIBOR. Two of the swaps also include "knock out" provisions under which the Federation would be required to pay interest at the floating rate rather than the fixed swap rate for as long as the 180-day rolling average of the SIFMA Index remains above a 6 percent threshold. The SIFMA rate was 1.51 and 0.91 percent as of June 30, 2018 and 2017, respectively. The swap arrangements expire on various dates through 2041 matching the maturities of the underlying tax exempt debt.

One of the Federation’s swaps was entered into on behalf of CJE SeniorLife to hedge its exposure to floating interest rates on the Series G3 Bonds. The outstanding notional amount of the swap was $12,670 and $13,643 at June 30, 2018 and 2017, respectively. The Federation and CJE SeniorLife entered in an agreement whereby CJE SeniorLife agreed to pay all ongoing expenses related to the interest rate swap agreement directly to Wells Fargo. In connection with the interest rate swap agreement, CJE SeniorLife has agreed to pay a fixed rate of interest equal to 3.7 percent, with the counterparty paying a floating rate equal to 68 percent of the 30-day LIBOR rate. The Federation has recorded a receivable from CJE SeniorLife and an offsetting liability for the fair value of the swap agreement. At June 30, 2018 and 2017, the fair values of the interest rate swap are a liability of $1,290 and of $1,934, respectively. Corresponding receivables for these amounts are recorded in pledges and other receivables at June 30, 2018 and 2017. The change in the receivable and the change in the fair value of the interest rate swap is recorded as an unrealized gain (loss) on the fair value of swap arrangements on the consolidated statements of activities. The interest rate swap agreement expires in 2035.

(In Thousands)

Note 13. Derivative Financial Instruments (Continued)

At June 30, 2018 and 2017, the estimated fair value of these six swap arrangements was a liability of $11,855 and $18,513, respectively.

The interest rate swap agreements as of and for the years ended June 30, 2018 and 2017 consist of:

	2018	2017
Liability derivatives:		
Interest rate contracts at fair value:		
Statement of financial position:		
Interest rate swap liability	$ (11,855)	$ (18,513)
Effective portion of gain (loss):		
Other changes in net assets:		
Statement of activities position:		
Unrealized gain on swap agreement	$ 6,658	$ 10,549
Less amount of gain allocated to CJE SeniorLife	(644)	(978)
	$ 6,014	$ 9,571

Margin call: In connection with its interest rate swap arrangements, the Federation has entered into master agreements with JP Morgan and Wells Fargo which contain collateral posting provisions. When the net present value of the combined market values of the swaps exceeds $20,000 and $25,000 with JP Morgan and Wells Fargo, respectively, the swap counterparties with the negative carrying value must provide collateral to the other counterparty.

Note 14. Endowment

The Federation'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 accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted in Illinois on June 30, 2009. The Board of Directors of the Federation has interpreted Illinois 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, the Federation's policy is to classify 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 asset 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 UPMIFA. In addition, the endowment includes temporarily restricted funds operating as term endowments for which the principal is not required to be held in perpetuity, and funds designated by the Board to function as endowments.

(In Thousands)

Note 14. Endowment (Continued)

In accordance with UPMIFA, the Federation 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 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 the appreciation of investments;
6. Other resources of the Federation; and
7. The investment policies of the Federation.

Endowment Composition

The Federation's endowment net asset composition by type of fund is as follows for the years ended June 30, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ (12,553)	$ 89,382	$ 63,274	$ 140,103
Board-designated	216,234	-	-	216,234
	$ 203,681	$ 89,382	$ 63,274	$ 356,337

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ (12,390)	$ 88,578	$ 57,950	$ 134,138
Board-designated	209,974	-	-	209,974
	$ 197,584	$ 88,578	$ 57,950	$ 344,112

(In Thousands)

Note 14. Endowment (Continued)

Changes in Endowment Net Assets

The changes in endowment net assets for the Federation were as follows for the year ended June 30, 2018:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 197,584	$ 88,578	$ 57,950	$ 344,112
Investment gains:				
Gain on investment activity (realized and unrealized)	14,535	8,825	-	23,360
	14,535	8,825	-	23,360
Contributions	9,424	9,768	5,324	24,516
Other changes:				
Satisfaction of restriction appropriation	17,789	(17,789)	-	-
Distributions	(35,651)	-	-	(35,651)
	(17,862)	(17,789)	-	(35,651)
Endowment net assets, end of year	$ 203,681	$ 89,382	$ 63,274	$ 356,337

(In Thousands)

Note 14. Endowment (Continued)

The changes in endowment net assets for the Federation were as follows for the year ended June 30, 2017:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 185,690	$ 81,182	$ 55,569	$ 322,441
Investment losses:				
Gain on investment activity (realized and unrealized)	18,028	15,238	-	33,266
	18,028	15,238	-	33,266
Contributions	10,184	14,399	2,381	26,964
Other changes:				
Satisfaction of restriction appropriation	22,241	(22,241)	-	-
Distributions	(38,559)	-	-	(38,559)
	(16,318)	(22,241)	-	(38,559)
Endowment net assets, end of year	$ 197,584	$ 88,578	$ 57,950	$ 344,112

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 the Federation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets relating to multiple funds were $12,553 and $12,390 as of June 30, 2018 and 2017, respectively. These deficiencies 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

The Federation adopted 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 the Federation must hold 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.

(In Thousands)

Note 14. Endowment (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Federation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Federation targets a broadly diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Federation adopted the Controlled Growth Distribution Policy (CGDP) for the majority of its endowment assets. Under this policy, the distribution rate for annual distributions from the Federation is based on the market performance of 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 over prior year distributions. The CGDP regulates the spending of the vast majority of the Federation's endowed assets; however, the Federation also employs a number of other spending policies based on donor restrictions and Board resolutions. These policies are consistent with the Federation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 15. Temporarily Restricted Net Assets

Temporarily restricted net assets released were as follows:

	2018	2017
Satisfaction of restrictions:		
Satisfaction of time restriction	$ 4,817	$ 13,746
Satisfaction of restriction through recurring annual distributions (see Note 7)	15,840	15,426
Total satisfaction of restrictions	$ 20,657	$ 29,172

(In Thousands)

Note 15. Temporarily Restricted Net Assets (Continued)

The following is a summary of temporarily restricted net assets held:

	2018	2017
Abe and Ida Cooper Center	$ 6,167	$ 5,925
The ARK	55	55
CJE SeniorLife	545	557
Center for Jewish Genetics	5,415	5,227
Charitable remainder trusts	3,168	4,037
Chicago Jewish Day School	2,772	6,224
Children with special needs	1,122	1,136
Community Foundation for Jewish Education	48	47
Disaster relief fund	128	125
Fiedler Hillel	134	130
Financial assistance for hearing impaired	105	98
Financial assistance for homeless shelter	498	502
Financial assistance for students	8,875	8,245
Hebrew Theological College	218	217
Hillel Torah North Suburban Day School	46	46
Hillels of Illinois	978	946
Holocaust Community Services	3,043	4,116
Ida Crown Jewish Academy - capital project	1,070	1,981
Jewish Agency for Israel	4,457	4,524
Jewish Child and Family Services	1,194	1,190
Jewish Community Centers of Chicago - Uptown Cafe	504	505
Jewish Day School Guaranty Trust Fund	20,503	20,036
JFMC Facilities Corporation - Hillman ballfield at the Horwich Building	77	77
Juvenile diabetes	7	7
Lieberman Geriatric Health Center	22	22
Marvin Lustbader Wellness, Health, and Fitness Complex	2,301	2,244
Michael Reese Health Trust - educational and research purposes	7,792	7,015
Mt. Sinai - capital project	300	-
Scholarships to Israel	1,158	1,279
Summer Camp Program	1,824	1,597
Spertus Institute for Jewish Learning and Leadership	2,000	2,016
Time restricted - pledges receivable	7,804	10,099
Various other charities	4,958	4,493
Young Leadership Award	205	195
	$ 89,493	$ 94,913

(In Thousands)

Note 16. Permanently Restricted Net Assets

The following is a summary of permanently restricted net assets held:

	2018	2017
Principal to be held in perpetuity, income earned to be used for the following purposes:		
The ARK	$ 91	$ 91
Beneficial interest in charitable trusts	39,788	38,841
Center for Jewish Genetics	250	250
Community Foundation for Jewish Education	115	111
Educational and research purposes	15,060	15,060
General purposes	23,104	23,104
Hillels of Illinois	968	968
Jewish Child and Family Services	194	194
Jewish Day School Guaranty Trust	1,044	1,044
Local social welfare agencies	2,382	2,381
Programs for the elderly	1,829	1,829
Programs for the youth	779	779
Scholarships and financial assistance	12,905	12,804
Spertus Institute for Jewish Learning and Leadership	1,036	1,036
Various other charities	2,148	1,898
Young adult engagement program	1,501	1,501
	$ 103,194	$ 101,891

Note 17. Self-Insurance Programs

The Federation participates with certain of its affiliated agencies in self-insurance programs for health, dental and vision insurance. Funds contributed by the participating employers to the programs are held by (and related disbursements are made from) custodian funds of the Federation for such self-insurance programs. Payments by the Federation to the programs for the fiscal years ended June 30, 2018 and 2017, amounted to approximately $585 and $530, respectively.

All self-insurance programs of the Federation and its affiliated agencies include specific and aggregate stop loss insurance policies.

(In Thousands)

Note 18. Retirement Plans

The Federation is an employer participant in two employee retirement plans, Federation Employees' Retirement Income Plan of the Jewish Federation of Metropolitan Chicago and Participating Employers (FERIP) and Federation Employees' Retirement Savings Trust Plan of the Jewish Federation of Metropolitan Chicago and Participating Employers (FERST). Jewish United Fund is the plan sponsor for FERIP and FERST.

FERIP is a self-administered, noncontributory defined benefit plan, the funding of which is provided on the basis of normal cost as actuarially determined. FERIP is treated as a multi-employer plan for accounting purposes.

FERST is a defined contribution plan, employer contributions to which are computed on the basis of a percentage of salary. FERST provides benefits to employees covered by a collective bargaining agreement.

Annual contributions paid by the Federation to FERIP and FERST for fiscal years ended June 30, 2018 and 2017, were approximately $568 and $512, respectively.

		Pension Protection Act Zone Status		FIP/RP Status	Contributions of Federation				Expiration Date of Collective-
Pension Fund	EIN/Pension Plan Number	2018	2017	Pending/ Implemented	2018	2017	2016	Surcharge Imposed	Bargaining Agreement
FERIP	36-2167034	N/A	N/A	N/A	$ 519	$ 467	$ 450	N/A	N/A

Plan information for FERIP is not publicly available. FERIP provides fixed, monthly retirement payments on the basis of the credits earned by the participating employees. To the extent that the plan is underfunded, the future contributions to the plan may increase and may be used to fund retirement benefits for employees related to other employers who have ceased operations. Federation could be assessed a withdrawal liability in the event that it decides to cease participating in the plan. FERIP’s actuarial valuation for the years ended December 31, 2017 and 2016 indicated the fair value of the plan assets was $90,194 and $80,269, respectively; total actuarial projected benefit obligation was $142,621, and $130,710, respectively; and total contributions for all participating employers were $3,603 and $3,567, respectively. The plan’s actuarial valuation for the plan years ended December 31, 2018 and 2017, indicate that the plan was 63 and 61 percent funded, respectively.

(In Thousands)

Note 19. Loan Guarantees and Commitments

The Federation is contingently liable as the guarantor on certain indebtedness incurred by affiliated agencies and beneficiary organizations, all of whom receive allocations from Federation. The terms of these guarantees correlate with the terms of the related outstanding tax exempt debt and bank loans payable, which mature at various dates through 2045. At any time should any of the affiliated / beneficiary organizations be delinquent on its debt payment, the Federation would be obligated to perform under the guarantee primarily by making the required payments. The following is a summary of the loan guarantees and commitments of other organizations that the Federation is contingently liable under as of June 30, 2018 and 2017:

	2018	2017
Akiba-Schechter Jewish Day School	$ 1,856	$ 1,989
Arie Crown Hebrew Day School	494	570
Associated Talmud Torahs	197	240
Chicago Jewish Day School	3,494	-
CJE SeniorLife	39,166	44,318
JFMC Facilities Corporation	131,574	138,100
Hanna Sacks Bais Yaakov Girls High School	420	553
Hebrew Theological College	686	730
Hillel Torah North Suburban Day School	-	123
Ida Crown Jewish Academy	37,605	38,540
Jewish Community Centers of Chicago	2,535	2,700
Joan Dachs Bais Yaakov Day School	14,782	15,379
Mt. Sinai Hospital	27,371	29,554
Spertus Institute for Jewish Learning and Leadership	34,960	34,960
Rochelle Zell Jewish High School	6,375	7,125
Ehrlich Student Loans Program with Devon Bank	-	2,914
	$ 301,515	$ 317,795

As of June 30, 2018, the guarantees include $224,946 of tax-exempt debt and $76,569 of taxable bank debt (2017 – $237,912 of tax-exempt bond debt and $79,883 of taxable bank debt). A majority of the debt guaranteed by the Federation was used to finance the purchase and/or renovation of real estate.

Note 20. Funds Held as Custodian

A summary of funds held on behalf of others for which the Federation acts as custodian, is as follows:

	2018	2017
Charitable remainder and annuity trusts	$ 4,436	$ 5,326
Send a Kid to Israel Program reserve fund	2,932	3,037
Health, dental and vision insurance fund	2,923	2,867
Unemployment compensation reserve fund	8	8
Bar/Bat Mitzvah Registry	252	251
	$ 10,551	$ 11,489

Note 21. Deferred Compensation Agreements

The Federation has entered into agreements with certain key employees that provide for annual payments of varying amounts per year for a term ranging from 10 years to life. These key employees vest in the deferred compensation upon reaching retirement age or specified years of service. The present value of the vested amount due to employees under the provisions of the agreements totaled approximately $1,550 and $1,362 as of June 30, 2018 and 2017, respectively, and is included in accounts payable and accrued expenses on the consolidated statements of financial position. In connection with these agreements, the Federation made payments of $150 and $152 during the years ended June 30, 2018 and 2017, respectively.

Note 22. Subsequent Events

The Federation has evaluated subsequent events for potential recognition and/or disclosure through December 28, 2018, the date the consolidated financial statements were available to be issued.