

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
JUNE 30, 2017 AND 2016**

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

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Independent Auditor's Report

**Board of Directors of
The United Synagogue of
Conservative Judaism and Affiliate**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The United Synagogue of Conservative Judaism and Affiliate, which comprise the consolidated balance sheet as of June 30, 2017 and 2016, and the related consolidated statements of activities, expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 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 audits 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The United Synagogue of Conservative Judaism and Affiliate as of June 30, 2017 and 2016 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information contained in Schedule 1 - Consolidating Balance Sheet and Schedule 2 - Consolidating Statement of Activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Loeb & Troper LLP

April 10, 2018

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

CONSOLIDATED BALANCE SHEET

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Note 2)	\$ 1,568,675	\$ 2,076,987
Investments (Note 3)	12,549,187	11,676,376
Dues receivable	123,516	121,190
Accounts and other receivables - net	167,916	202,782
Prepaid expenses - program	1,772,955	521,435
Contributions receivable - net (Note 6)	1,127,981	1,725,878
Fixed assets - net (Note 4)	12,897,402	13,458,892
Other assets	516,614	516,614
Total assets	\$ 30,724,246	\$ 30,300,154
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 963,901	\$ 712,075
Accrued salaries, vacations and benefits	1,146,763	1,234,015
Advance deposits	3,731,471	2,693,385
Total liabilities	5,842,135	4,639,475
Net assets (Exhibit B)		
Unrestricted		
Operating	9,616,937	11,250,930
Board-designated (Note 10)	8,711,127	8,065,108
Total unrestricted	18,328,064	19,316,038
Temporarily restricted (Note 9)	5,593,484	5,224,078
Permanently restricted (Note 9)	960,563	1,120,563
Total net assets	24,882,111	25,660,679
Total liabilities and net assets	\$ 30,724,246	\$ 30,300,154

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**
CONSOLIDATED STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

EXHIBIT B

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, losses and other support								
Contributions (includes calendar contributions of \$451,559 in 2017 and \$516,053 in 2016)	\$ 1,410,265	\$ 1,394,295		\$ 2,804,560	\$ 851,167	\$ 2,146,850		\$ 2,998,017
Membership dues	6,966,146			6,966,146	7,219,657			7,219,657
Program revenue	6,783,559			6,783,559	8,009,483			8,009,483
Biennial convention					584,091			584,091
Books and publications					519,897			519,897
Bad debt loss		(46,684)		(46,684)				
Miscellaneous revenue	39,819			39,819	8,237			8,237
Net assets released from restriction (Note 9)	1,275,295	(1,275,295)			1,109,025	(1,109,025)		
Total revenues, gains, losses and other support	16,475,084	72,316		16,547,400	18,301,557	1,037,825		19,339,382
Expenses (Exhibit C)								
Program services								
Youth	8,545,457			8,545,457	10,308,116			10,308,116
Books and publications					1,012,316			1,012,316
Education	1,153,272			1,153,272	1,075,896			1,075,896
Kehilla strengthening and transformation	2,170,834			2,170,834	2,287,208			2,287,208
Other					682,743			682,743
Total program services	11,869,563			11,869,563	15,366,279			15,366,279
Supporting services								
Management and general	4,482,543			4,482,543	4,107,022			4,107,022
Fund raising	1,430,507			1,430,507	1,411,384			1,411,384
Total supporting services	5,913,050			5,913,050	5,518,406			5,518,406
Total expenses before depreciation and nonrecurring activities	17,782,613			17,782,613	20,884,685			20,884,685
Change in net assets from operations	(1,307,529)	72,316		(1,235,213)	(2,583,128)	1,037,825		(1,545,303)
Depreciation and amortization	(570,118)			(570,118)	(534,434)			(534,434)
Investment income - net (Note 3)	941,841	84,922		1,026,763	70,329	1,398		71,727
Change in net assets before nonrecurring activities	(935,806)	157,238		(778,568)	(3,047,233)	1,039,223		(2,008,010)
Nonrecurring activities								
Reclassifications (Notes 2 and 9)	(52,168)	212,168	\$ (160,000)		45,586		\$ (45,586)	
Change in net assets (Exhibit D)	(987,974)	369,406	(160,000)	(778,568)	(3,001,647)	1,039,223	(45,586)	(2,008,010)
Net assets - beginning of year	19,316,038	5,224,078	1,120,563	25,660,679	22,317,685	4,184,855	1,166,149	27,668,689
Net assets - end of year (Exhibit A)	\$ 18,328,064	\$ 5,593,484	\$ 960,563	\$ 24,882,111	\$ 19,316,038	\$ 5,224,078	\$ 1,120,563	\$ 25,660,679

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT C**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE****CONSOLIDATED STATEMENT OF EXPENSES****YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Salaries	\$ 6,343,228	\$ 6,354,420
Payroll taxes and employee benefits	<u>958,116</u>	<u>1,048,468</u>
Total salaries and related expenses	7,301,344	7,402,888
Grant expense	300,501	234,802
Advertising and promotion	65,858	44,669
Dues and subscriptions	25,764	25,530
Insurance	192,645	208,473
Building maintenance	1,800	18,870
Meetings and conferences	161,046	202,560
Equipment rental and repair	132,012	123,272
Occupancy (Note 11)	792,700	770,590
Office supplies	69,101	57,059
Travel and lodging	491,569	472,843
Postage and shipping	153,681	269,261
Printing and publications	335,304	287,126
Professional fees and contract services	721,879	893,957
Program expenses and participant costs	6,734,634	8,125,996
Biennial convention		693,326
Book and publication fulfillment costs	9,968	648,914
Telephone	126,333	144,107
Depreciation and amortization	570,118	534,434
Miscellaneous	<u>166,474</u>	<u>260,442</u>
Total expenses (includes interest expense of \$4,019 in 2017 and \$32,734 in 2016) (Exhibit B)	<u>\$ 18,352,731</u>	<u>\$ 21,419,119</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**THE UNITED SYNAGOGUE OF
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CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (778,568)	\$ (2,008,010)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	570,118	534,434
Net realized and unrealized (gains)/losses on investments	(972,454)	7,672
Decrease (increase) in assets		
Dues receivable	(2,326)	(38,582)
Accounts and other receivables	34,866	159,149
Prepaid expenses - program	(1,251,520)	858,582
Contributions receivable	597,897	(265,413)
Inventory		129,540
Other assets		244,373
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	251,826	(298,285)
Accrued salaries, vacations and benefits	(87,252)	(283,609)
Advance deposits	1,038,086	(955,475)
Net cash used by operating activities	<u>(599,327)</u>	<u>(1,915,624)</u>
Cash flows from investing activities		
Capital expenditures	(8,628)	(1,536,437)
Purchases of investments	(789,656)	(8,841,009)
Proceeds from sale of investments	889,299	815,717
Net cash provided (used) by investing activities	<u>91,015</u>	<u>(9,561,729)</u>
Cash flows from financing activities		
Repayments of line of credit		<u>(1,917,920)</u>
Net change in cash and cash equivalents	(508,312)	(13,395,273)
Cash and cash equivalents - beginning of year	<u>2,076,987</u>	<u>15,472,260</u>
Cash and cash equivalents - end of year	<u>\$ 1,568,675</u>	<u>\$ 2,076,987</u>
Cash paid for interest	<u>\$ 4,019</u>	<u>\$ 32,734</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**THE UNITED SYNAGOGUE OF
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION

The United Synagogue of Conservative Judaism (“The United Synagogue”) was formed in 1913. It is a religious association of congregations of the Conservative Movement of Judaism and has 572 affiliated congregations. The organization’s Conservative Jewish program encompasses youth, educational and congregational programming.

The United Synagogue is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

During fiscal 2015, The USCJ Supporting Foundation, Inc. (the “Foundation”) an affiliate was formed and received notification in November 2015 that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The United Synagogue is the sole member of the Foundation. The United Synagogue and the Foundation are collectively referred to herein as the “Organization”. The Foundation was established to hold an endowment fund of \$8.0 million generated from the proceeds of the sale of The United Synagogue’s real property.

The United Synagogue’s primary sources of revenues are membership dues, program revenue and contributions. The Foundation’s primary source of revenue is investment income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The consolidated financial statements are prepared on the accrual basis of accounting.

Basis of consolidation - All material intercompany transactions have been eliminated in the consolidation.

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents - Cash and cash equivalents include certain investments in highly liquid instruments with original maturities, when acquired, of three months or less. The Organization routinely invests its surplus operating funds in money market accounts. The money market accounts invest in highly liquid U.S. Government and agency obligations. Investments in money market accounts are not insured or guaranteed by the U.S. Government.

Investments - Investments are recorded at fair value.

The Organization invests in various securities. Investment securities, in general, 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, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the consolidated financial statements.

Dues, accounts and other receivables - Receivables are recognized based on established rates for dues and the programs operated. Interest income is not accrued or recorded on outstanding receivables.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for doubtful accounts - The Organization determines whether an allowance for doubtful accounts should be provided for its receivables. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent collections, and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2017 and 2016, the Organization recorded an allowance of approximately \$135,000 on accounts and other receivables. As of June 30, 2017 and 2016, the Organization recorded an allowance of \$135,813 and \$209,128, respectively, on contributions receivable. No allowance has been recorded for dues receivable.

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**THE UNITED SYNAGOGUE OF
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets - Fixed assets are recorded at cost. Building and equipment are depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the term of the lease. The Organization's policy is to capitalize items with a cost of \$1,000 or greater, and a useful life of more than one year.

Advance deposits - Advance deposits are for future programs that have not yet been held. The advance deposits are recorded as liabilities until such time that they will be earned.

Unrestricted, temporarily and permanently restricted net assets - Unrestricted net assets have no donor-imposed stipulations on their use. In addition, resources which are set aside for board-designated purposes are unrestricted. Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Program revenue - Program revenue includes revenues from providing events, trips and other programming for youth and members of The United Synagogue. Revenue is earned when program is conducted.

Membership dues - Revenue from membership dues are recognized over the membership period.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Rent - Rent is expensed on the straight-line basis. Deferred rent is recorded when material. No deferred rent has been recorded as of June 30, 2017 and 2016.

Advertising - Advertising costs are expensed as incurred.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measure of operations - The consolidated financial statements of the Organization include in its definition of operations all revenues and expenses associated with ongoing programs. Excluded from operations are depreciation and amortization and investment income.

Uncertainty in income taxes - The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Periods ending June 30, 2014 and subsequent remain subject to examination by applicable taxing authorities.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017, as compared to those used at June 30, 2016.

Money market funds and equities - Valued at the closing price reported on the active market on which the individual security is traded.

Fixed income-corporate bonds - Valued using pricing models maximizing the use of observable inputs for similar securities.

Mutual funds - Valued at the net asset value ("NAV") of shares held at year end.

Dynamic asset allocation overlays, limited liability company and limited liability partnership - Valued at the net asset value ("NAV") of shares held at year end as a practical expedient. The NAV is based on the fair value of the underlying assets held less any liability. The practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

See Note 3 for the table which sets forth by level and type, within the fair value hierarchy, the assets at fair value as of June 30, 2017 and 2016.

Subsequent events - Subsequent events have been evaluated through April 10, 2018, which is the date the consolidated financial statements were available to be issued.

Reclassifications - Certain net assets have been transferred between permanently, temporarily restricted and unrestricted net assets based on donor instructions.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 3 - INVESTMENTS

The following table sets forth by level and type, within the fair value hierarchy, the assets at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments at fair value			
Money market funds	\$ 109,953		\$ 109,953
Mutual funds			
Fixed income	706,733		706,733
Equity	465,632		465,632
Global real estate	159,416		159,416
International	100,710		100,710
Fixed income - corporate bonds		\$ 1,129,461	1,129,461
Equities			
Basic materials	155,044		155,044
Consumer goods	117,115		117,115
Financial	100,392		100,392
Healthcare	23,010		23,010
Industrial goods	76,520		76,520
Technology	<u>125,028</u>		<u>125,028</u>
Total investments at fair value	<u>\$ 2,139,553</u>	<u>\$ 1,129,461</u>	3,269,014
Investments reported using NAV as a practical expedient			
Dynamic asset allocation overlays			
Overlay A - equity-oriented asset allocation			308,408
Overlay B - fixed income - oriented asset allocation			260,638
Limited liability company			4,304,015
Limited liability partnership			<u>4,407,112</u>
Total assets at NAV			<u>9,280,173</u>
Total			<u>\$ 12,549,187</u>

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**THE UNITED SYNAGOGUE OF
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 3 - INVESTMENTS (continued)

The following table sets forth by level and type, within the fair value hierarchy, the assets at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments at fair value			
Money market funds	\$ 20,641		\$ 20,641
Mutual funds			
Fixed income	689,208		689,208
Equity	399,637		399,637
Global real estate	134,983		134,983
International	97,578		97,578
Fixed income - corporate bonds		\$ 1,101,280	1,101,280
Equities			
Basic materials	89,661		89,661
Consumer goods	73,663		73,663
Financial	101,207		101,207
Healthcare	47,609		47,609
Industrial goods	84,514		84,514
Technology	<u>188,647</u>		<u>188,647</u>
Total investments at fair value	<u>\$ 1,927,348</u>	<u>\$ 1,101,280</u>	3,028,628
Investments reported using NAV as a practical expedient			
Dynamic asset allocation overlays			
Overlay A - equity-oriented asset allocation			333,855
Overlay B - fixed income - oriented asset allocation			248,785
Limited liability company			4,013,742
Limited liability partnership			<u>4,051,366</u>
Total assets at NAV			<u>8,647,748</u>
Total			<u>\$ 11,676,376</u>

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**THE UNITED SYNAGOGUE OF
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 3 - INVESTMENTS (continued)

The following table summarizes investments measured at fair value based on NAV per share as of June 30, 2017 and 2016:

	<u>2017</u> <u>Fair Value</u>	<u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
Dynamic asset allocation overlays				
Overlay A - equity-oriented asset allocation	\$ 308,408	-	Daily	None
Overlay B - fixed income - oriented asset allocation	260,638	-	Daily	None
Limited liability partnership	4,407,112	-	Monthly	30 days
Limited liability company	<u>4,304,015</u>	-	Monthly	15 days
	<u>\$ 9,280,173</u>			
	<u>2016</u> <u>Fair Value</u>	<u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
Dynamic asset allocation overlays				
Overlay A - equity-oriented asset allocation	\$ 333,855	-	Daily	None
Overlay B - fixed income - oriented asset allocation	248,785	-	Daily	None
Limited liability partnership	4,051,366	-	Monthly	30 days
Limited liability company	<u>4,013,742</u>	-	Monthly	15 days
	<u>\$ 8,647,748</u>			

Investment income consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends (net of fees of \$44,638 and \$41,608 in 2017 and 2016, respectively)	\$ 54,309	\$ 79,399
Net unrealized and realized loss/gain on investments	<u>972,454</u>	<u>(7,672)</u>
	<u>\$ 1,026,763</u>	<u>\$ 71,727</u>

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 3 - INVESTMENTS (continued)

Investment Objective/Strategy

Limited liability partnership - To preserve and enhance the purchasing power by striving to attain an annual total return in excess of 5% plus inflation over the long term. The Jewish Community Endowment Pool, LLP (JCEP) is diversified among asset classes and rebalanced towards policy target allocations as needed. Preserving capital and reducing volatility are preferred to high-risk, high-return strategies, even if this foregoes opportunities for gain during rising markets in order to minimize potential losses during declining markets.

Limited liability company - The goals outlined below imply three primary objectives for managing the Pooled Endowment Portfolio (PEP):

- To obtain a return on investment sufficient to make the desired annual distributions without eroding the inflation-adjusted value of invested assets.
- To invest prudently, in order to preserve the inflation-adjusted value of the endowment and guard against material reductions in its value.
- To maintain liquidity sufficient to support routine withdrawals for distribution purposes as well as any non-routine withdrawals.

Over the long run, in well-functioning markets, riskier and less liquid assets generally earn higher returns, which results in an inescapable trade-off between the objectives listed above. A suitable balance between these objectives requires PEP to be highly diversified with respect to asset categories, geographical regions, strategies, and investment managers so as to achieve a reasonable balance between short-term risk and long-term return.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 4 - FIXED ASSETS

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Land in Israel	\$ 893,710	\$ 893,710	
Building in Israel	14,697,694	14,697,694	40 years
Equipment	1,872,908	1,864,280	3-10 years
Cemetery plots	1	1	
Leasehold improvements	<u>1,644,071</u>	<u>1,644,071</u>	15 years
	19,108,384	19,099,756	
Accumulated depreciation and amortization	<u>(6,210,982)</u>	<u>(5,640,864)</u>	
	<u>\$ 12,897,402</u>	<u>\$ 13,458,892</u>	

The Organization purchased land in Jerusalem, Israel to construct a building used as a youth education and dormitory facility in its programs.

The United Synagogue Center (a related organization in Israel - see Note 8) has a line of credit for \$5.5 million from U Bank utilizing 2, 4, 6 and 10 Agron Street, Jerusalem, Israel, which are owned by The United Synagogue, as collateral. The United Synagogue has assumed responsibility for the debt's repayment. The United Synagogue paid \$107,500 in principal repayments during fiscal 2017, as authorized by The United Synagogue's Board of Directors in fiscal 2016 and \$205,000 in 2016 as authorized by the USCJ Board of Directors in 2015. As of June 30, 2017 and 2016, the amount owed on the line of credit was zero and \$1,112,500, respectively. Interest for the years ended June 30, 2017 and 2016 was \$17,675 and \$36,018, respectively, which was paid by The United Synagogue.

The United Synagogue owns various cemetery plots. The plots were not valued and have been recorded at a value of \$1 in these consolidated financial statements.

NOTE 5 - PENSION PLAN

The Organization has a defined contribution retirement plan. Employer contributions are 3.75% when each employee covered electively contributes at least 4% of his or her gross salary. Pension expense for the years ended June 30, 2017 and 2016 was \$165,097 and \$137,011, respectively.

-continued-

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 6 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable have been recorded at present value. Those receivables that are due in more than one year have been discounted to their present value using discount rates of 4% - 6%. The receivables as of June 30, 2017 are due as follows:

	June 30,
Current and due in 2018	\$ 810,768
2019	221,187
2020	156,037
2021	75,986
2022	61,220
Thereafter	32,932
	1,358,130
Less allowance for uncollectible amounts	(135,813)
	1,222,317
Less discount to present value	(94,336)
	<u>\$ 1,127,981</u>

NOTE 7 - LINE OF CREDIT

The Organization has a line of credit for \$2 million from U Bank utilizing Building R and Building Y of the Fuchsberg Center, Israel as collateral. Buildings R and Y are owned by The United Synagogue Center (a related organization). The loan bears interest at the 6-month LIBOR rate plus 3.75%, which was 4.97% and 4.98% at June 30, 2017 and 2016 respectively. The line expires in May 2019. As of June 30, 2017 and 2016, the amount outstanding on the line of credit was zero. Interest expense for the years ended June 30, 2017 and 2016 was \$4,019 and \$32,734, respectively.

-continued-

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 8 - RELATED ORGANIZATIONS IN ISRAEL

The related organizations have not been audited by Loeb & Troper LLP but have been audited by other independent auditors in Israel. The financial information contained in this note is directly from the audited financial statements of those organizations as of the period indicated in this note.

The Organization is related to three organizations in Israel. The United Synagogue of America (“Amutta”) is a registered amutta under Israeli law, whose purpose is to promote conservative Judaism through programs for youth and education. An Amutta is a tax-exempt entity in Israel formed for charitable or religious purposes which does not issue shares and which is governed by its members. The Organization is related to the Amutta through common members of their governing bodies.

The Organization and the Amutta own two corporations for the public good in Israel: United Synagogue Center and Conservative Judaism Educational Company Limited (“CJEC”). The Amutta owns 99.9% of the outstanding shares of both the United Synagogue Center and CJEC. The Organization owns 0.1% of the outstanding shares of both the United Synagogue Center and CJEC.

The majority of the revenues reported by the Amutta are funds transferred to it by the Organization, including funds used to pay the operating costs of the Shirley and Jacob Fuchsberg Center for Conservative Judaism (the “Center”) and certain programs housed there.

The Amutta invested the funds received from the Organization that are dedicated to the construction of the Center in capital notes of United Synagogue Center and CJEC. These capital notes are included in the assets of the Amutta.

The United Synagogue Center and CJEC used the funds received from the Amutta to acquire real property and construct buildings for the Center, which are property and buildings included in the assets of the United Synagogue Center and CJEC.

Receipts on amount of shares consist of paid-up share capital issued at a premium to the Amutta in exchange for capital notes and investments made by the Amutta.

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 8 - RELATED ORGANIZATIONS IN ISRAEL (continued)

The Amutta, the United Synagogue Center and CJEC use a December 31 year end. The Organization uses a June 30 year end; therefore, the amounts shown by each of the companies for intercompany transactions may be different. Individual financial statements have been issued in Israel. Those financial statements were denominated in New Israeli Shekel, and were converted to U.S. Dollars. If the individual financial statements were consolidated, the intercompany transfers relating to the assets in the Center would be eliminated. As of December 31, 2016 and 2015, the Amutta has recorded an investment in related companies of \$12,191,177 and \$12,631,963, respectively. Summaries of the latest financial statements are as follows:

	For the Year Ended December 31, 2016				
	United Synagogue of America (an Amutta in Israel)	United Synagogue Center	Conservative Judaism Educational Company Limited	Eliminations	Total
Balance Sheet					
Assets	<u>\$ 13,667,562</u>	<u>\$ 12,334,438</u>	<u>\$ 947,719</u>	<u>\$(12,191,177)</u>	<u>\$ 14,758,542</u>
Liabilities	\$ 1,249,292	\$ 1,013,994	\$ 206,869		\$ 2,470,155
Net assets	<u>12,418,270</u>	<u>11,320,444</u>	<u>740,850</u>	<u>\$(12,191,177)</u>	<u>12,288,387</u>
Total liabilities and net assets	<u>\$ 13,667,562</u>	<u>\$ 12,334,438</u>	<u>\$ 947,719</u>	<u>\$(12,191,177)</u>	<u>\$ 14,758,542</u>
Statement of Activities					
Revenues and gains	\$ 1,796,131	\$ 145,545	\$ 32,409		\$ 1,974,085
Expenses	<u>1,823,604</u>	<u>739,399</u>	<u>86,817</u>		<u>2,649,820</u>
Change in net assets before loss on subsidiaries	(27,473)	(593,854)	(54,408)		(675,735)
Loss on subsidiaries	<u>(440,786)</u>	<u> </u>	<u> </u>	<u>\$ 440,786</u>	<u> </u>
Change in net assets	(468,259)	(593,854)	(54,408)	440,786	(675,735)
Net assets/capital - beginning of year	12,886,529	11,689,459	781,830	(12,631,963)	12,725,855
Receipts on account of shares	<u> </u>	<u>224,839</u>	<u>13,428</u>	<u> </u>	<u>238,267</u>
Net assets/capital - end of year	<u>\$ 12,418,270</u>	<u>\$ 11,320,444</u>	<u>\$ 740,850</u>	<u>\$(12,191,177)</u>	<u>\$ 12,288,387</u>

-continued-

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 8 - RELATED ORGANIZATIONS IN ISRAEL (continued)

	For the Year Ended December 31, 2015				
	United Synagogue of America (an Amutta in Israel)	United Synagogue Center	Conservative Judaism Educational Company Limited	Eliminations	Total
Balance Sheet					
Assets	\$ <u>14,303,508</u>	\$ <u>12,947,319</u>	\$ <u>1,017,167</u>	\$(12,631,963)	\$ <u>15,636,031</u>
Liabilities	\$ 1,075,879	\$ 1,257,860	\$ 235,337		\$ 2,569,076
Net assets	<u>12,886,529</u>	<u>11,689,459</u>	<u>781,830</u>	\$(12,631,963)	<u>12,725,855</u>
Total liabilities and net assets	\$ <u>13,962,408</u>	\$ <u>12,947,319</u>	\$ <u>1,017,167</u>	\$(12,631,963)	\$ <u>15,294,931</u>
Statement of Activities					
Revenues and gains	\$ 1,614,389	\$ 142,587	\$ 50,554		\$ 1,807,530
Expenses	<u>1,656,982</u>	<u>746,031</u>	<u>87,934</u>		<u>2,490,947</u>
Change in net assets before loss on subsidiaries	(42,593)	(603,444)	(37,380)		(683,417)
Loss on subsidiaries	<u>(296,775)</u>			\$ <u>296,775</u>	
Change in net assets	(339,368)	(603,444)	(37,380)	296,775	(683,417)
Net assets/capital - beginning of year	13,225,897	11,932,581	819,210	(12,928,738)	13,048,950
Receipts on account of shares		<u>360,322</u>			<u>360,322</u>
Net assets/capital - end of year	\$ <u>12,886,529</u>	\$ <u>11,689,459</u>	\$ <u>781,830</u>	\$(12,631,963)	\$ <u>12,725,855</u>

-continued-

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 9 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016 are available for the following purposes and/or time restriction:

	<u>2017</u>	<u>2016</u>
<i>Kehilot</i> (member congregation) programs and services	\$ 1,341,736	\$ 1,211,717
Youth scholarships	1,221,114	1,368,562
Youth programs	588,021	528,125
Israel educational programs and operating support	1,245,351	1,022,077
<i>Tikun olam</i> (social action and disaster relief)	275,802	268,845
Annual fund time-restricted pledges and other	<u>921,460</u>	<u>824,752</u>
Total	<u>\$ 5,593,484</u>	<u>\$ 5,224,078</u>

Temporarily restricted net assets were released from donor restrictions during fiscal 2017 and 2016 by incurring expenses satisfying the following restricted purposes and/or expiration of time restrictions:

	<u>2017</u>	<u>2016</u>
<i>Kehilot</i> (member congregation) programs and services	\$ 176,472	\$ 191,203
Youth scholarships	195,242	83,745
Youth programs	237,860	466,040
Israel educational programs and operating support	263,234	115,922
<i>Tikun olam</i> (social action and disaster relief)	98,760	126,951
Annual fund time-restricted pledges and other	<u>303,727</u>	<u>125,164</u>
Total	<u>\$ 1,275,295</u>	<u>\$ 1,109,025</u>

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 9 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS
(continued)

Endowments - Permanently Restricted Net Assets

General

The Organization's endowment consists of thirteen donor-restricted endowment funds established for youth scholarships, educational programs and youth programs.

Interpretation of Relevant Law

The General Assembly and the Board of Directors of The United Synagogue has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Organization is now governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years' balance. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Return Objectives, Strategies Employed and Spending Policy

The primary objective of the endowment fund is income consistent with current yield and liquidity in both the equity and fixed-income portfolios. A secondary objective is long-term capital appreciation through investment in the equity portfolio. A total return strategy is emphasized through a balanced investment approach.

Funds with Deficiencies

The Organization does not have any funds with deficiencies at June 30, 2017 and 2016.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 9 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS
(continued)

Endowments - Permanently Restricted Net Assets (continued)

Endowment Net Asset Composition by Type of Fund

Investments to be held in perpetuity, the income from which is expendable to support the programs listed below, are as follows:

	<u>2017</u>	<u>2016</u>
Day schools principals training program	\$ 775,372	\$ 935,372
Youth program and scholarships	135,191	135,191
Leadership development	<u>50,000</u>	<u>50,000</u>
	<u>\$ 960,563</u>	<u>\$ 1,120,563</u>

Changes in endowment net assets for the year ended June 30, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,120,563	\$ 1,120,563
Realized gains	14,994	-	14,994
Appropriation	(14,994)	-	(14,994)
Reclassification*	<u>-</u>	<u>(160,000)</u>	<u>(160,000)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 960,563</u>	<u>\$ 960,563</u>

* Reclassification was made per donor direction.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 9 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS
(continued)

Endowments - Permanently Restricted Net Assets (continued)

Changes in endowment net assets for the year ended June 30, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,166,149	\$ 1,166,149
Realized gains	17,492	-	17,492
Appropriation	(17,492)	-	(17,492)
Reclassification*	<u>-</u>	<u>(45,586)</u>	<u>(45,586)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,120,563</u>	<u>\$ 1,120,563</u>

* Reclassification was made per donor direction.

NOTE 10 - BOARD-DESIGNATED NET ASSETS

During 2016, The United Synagogue transferred, through a formal gift agreement, a total of \$8,000,000 to the Foundation in order to establish a board-designated permanent endowment fund (the "Fund"), which is to become an asset of the Foundation and shall be governed by the Articles of Incorporation and By-Laws of the Foundation and the Gift Agreement. The gift, and any additional gifts to the Foundation, by The United Synagogue or others, which are to be added to the Fund, shall be held, invested and reinvested by the Foundation in accordance with its standard investment policies and procedures. The assets of the Fund may, at the discretion of the Foundation, be pooled with similar assets in order to facilitate a cost-effective management of the assets of the Foundation, so long as the Foundation is able to account separately for the assets of the Fund.

For the purpose of making distributions from the Fund, the Foundation shall make use of a total-return-based spending policy (the "Spending Policy"), meaning that it will fund distributions from net investment income, consisting of net realized capital gains, net increase or decrease in unrealized appreciation of investments, dividends and other distributions, less fees and costs associated with investing.

-continued-

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 10 - BOARD-DESIGNATED NET ASSETS (continued)

The distribution of Fund assets will be permitted to the extent such distributions do not exceed a level that would erode the Fund's long-term, real purchasing power of assets over time. The Foundation's Investment Committee will seek to reduce the variability of annual Fund distributions by factoring past spending and portfolio asset values into its current spending decisions. The Foundation's Investment Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Fund's Spending Policy, its target allocations, or both.

The Foundation has established a spending policy of 4.5% and distributed \$175,000 to The United Synagogue on July 1, 2016. Thereafter, The United Synagogue shall request, no later than December 31st of the calendar year ended 2017, and of each subsequent calendar year, a distribution to be made in accordance with the Foundation's spending policy, as agreed to by the Foundation's Board, during the next fiscal year, a request of \$452,000 was made in 2017 to be distributed in 2018.

Notwithstanding the provisions detailed above and the returns, or lack thereof, achieved by the Foundation, The United Synagogue shall be entitled to receive at least the minimum distribution for each year through 2021.

The Foundation shall hold, administer and dispose of the Fund in perpetuity in order to accomplish the following purposes of the Fund:

- a. To support The United Synagogue of Conservative Judaism and its affiliates;
- b. To further the purposes of the Synagogue in creating a spiritual, intellectual and managerial community to fulfill its sacred mission and providing a connection with a common sense of community, shared mission and purpose; and
- c. To fund a variety of religious and charitable activities in connection with the Synagogue.

The United Synagogue shall annually provide a written report to the Foundation on the uses of the distribution by the United Synagogue.

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 10 - BOARD-DESIGNATED NET ASSETS (continued)

Changes in board designated endowment net assets for the year ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 8,065,108	\$ 8,000,000
Interest and dividends	23,901	6,929
Realized gains	188,483	
Unrealized gains	640,892	80,468
Withdrawals	(175,000)	
Expenses	<u>(32,257)</u>	<u>(22,289)</u>
Ending balance	<u>\$ 8,711,127</u>	<u>\$ 8,065,108</u>

NOTE 11 - OPERATING LEASES

On June 2, 2015, the Organization entered into a 15-year operating lease for office space at 120 Broadway, New York, New York. As part of the lease, the Organization provided a security deposit of \$502,178 held by the landlord and is recorded in other assets on the consolidated balance sheet. The Organization also obtained a letter of credit in the amount of \$502,178, which expires May 10, 2018. Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	
2018/19	\$ 669,571
2019/20	669,571
2020/21	669,571
2021/22	669,571
2022/23	736,528
Thereafter	<u>6,997,017</u>
	<u>\$ 10,411,829</u>

-continued-

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 11 - OPERATING LEASES (continued)

Future minimum lease payments under operating leases for office space at the regional offices as of June 30, 2017 are as follows:

<u>Year Ending June 30</u>	
2018/19	\$ 92,595
2019/20	88,213
2020/21	24,305
2021/22	<u>13,010</u>
	<u>\$ 218,123</u>

The leases expire on dates ranging through October 31, 2019. Rent expense for the years ended June 30, 2017 and 2016 was \$778,221 and \$727,150, respectively.

NOTE 12 - FUNCTIONAL EXPENSES

	<u>2017</u>
Program services	\$ 12,382,673
Management and general	\$ 4,539,551
Investment fees - management and general	<u>44,638</u>
Fund raising	<u>1,430,507</u>
Total functional expenses	<u>\$ 18,397,369</u>
	<u>2016</u>
Program services	\$ 15,847,273
Management and general	\$ 4,160,462
Investment fees - management and general	<u>41,608</u>
Fund raising	<u>1,411,384</u>
Total functional expenses	<u>\$ 21,460,727</u>

Functional expenses include allocations of depreciation and amortization expense.

-continued-

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 13 - CONCENTRATIONS

Financial instruments which potentially subject the Organization to a concentration of credit risk are cash accounts with major financial institutions in excess of FDIC insurance limits.

Included in gross contributions receivable at June 30, 2017 and 2016 are gross pledges of approximately \$500,000 and \$1 million from four donors.

NOTE 14 - COMMITMENTS

The Organization's Chief Executive Officer has an employment agreement which expires June 30, 2019. The agreement provides for severance payments under certain circumstances. If the employment agreement is not terminated prior to the expiration date, the severance payments will not be due.

During fiscal year 2015, The United Synagogue incurred a liability that as of June 30, 2015 amounted to \$1,041,972, related to several years of severance benefits due to some of its Israel-based employees. This has been recorded in accrued salaries, vacations and benefits on the consolidated balance sheet. A reserve was set up to recognize this liability, to be paid out over several years to affected employees, and the only costs that were charged against the reserve during fiscal year 2015 were attorneys' fees. During fiscal year 2016, additional legal fees and two severance payments were charged against the reserve. The Organization reached final agreements with the affected employees during fiscal year 2016 and 2017 and began making payments to them. Based on the final agreements the liability was reduced to \$741,748 and \$941,972 at June 30, 2017 and 2016, respectively, and is included in accrued salaries, vacation and benefits on the consolidated balance sheet as of June 30, 2017 and 2016.

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

CONSOLIDATING BALANCE SHEET

JUNE 30, 2017

	United Synagogue of Conservative Judaism	The United Synagogue Supporting Foundation, Inc.	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 1,568,675		\$ 1,568,675
Investments	3,838,060	\$ 8,711,127	12,549,187
Dues receivable	123,516		123,516
Accounts and other receivables - net	167,916		167,916
Prepaid expenses - program	1,772,955		1,772,955
Contributions receivable - net	1,127,981		1,127,981
Fixed assets - net	12,897,402		12,897,402
Other assets	516,614		516,614
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>22,013,119</u>	\$ <u>8,711,127</u>	\$ <u>30,724,246</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	\$ 963,901		\$ 963,901
Accrued salaries, vacations and benefits	1,146,763		1,146,763
Advance deposits	3,731,471		3,731,471
	<u> </u>		<u> </u>
Total liabilities	5,842,135		5,842,135
Net assets (Exhibit B)			
Unrestricted			
Operating	9,616,937		9,616,937
Board-designated		\$ 8,711,127	8,711,127
	<u> </u>	<u> </u>	<u> </u>
Total unrestricted	9,616,937	8,711,127	18,328,064
Temporarily restricted	5,593,484		5,593,484
Permanently restricted	960,563		960,563
	<u> </u>	<u> </u>	<u> </u>
Total net assets	16,170,984	8,711,127	24,882,111
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	\$ <u>22,013,119</u>	\$ <u>8,711,127</u>	\$ <u>30,724,246</u>

See independent auditor's report.

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

SCHEDULE 2

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	<u>United Synagogue of Conservative Judaism</u>	<u>The United Synagogue Supporting Foundation, Inc.</u>	<u>Total Unrestricted</u>	<u>United Synagogue of Conservative Judaism Temporarily Restricted</u>	<u>United Synagogue of Conservative Judaism Permanently Restricted</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>				
Revenues, gains, losses and other support						
Contributions	\$ 1,410,265		\$ 1,410,265	\$ 1,394,295		\$ 2,804,560
Membership dues	6,966,146		6,966,146			6,966,146
Program revenue	6,783,559		6,783,559			6,783,559
Bad debt loss				(46,684)		(46,684)
Miscellaneous revenue	39,819		39,819			39,819
Net assets released from restriction	1,275,295		1,275,295	(1,275,295)		
	<u>16,475,084</u>		<u>16,475,084</u>	<u>72,316</u>		<u>16,547,400</u>
Total revenues, gains, losses and other support						
Expenses (Exhibit C)						
Program services						
Youth	8,545,457		8,545,457			8,545,457
Education	1,153,272		1,153,272			1,153,272
Kehilla strengthening and transformation	2,170,834		2,170,834			2,170,834
	<u>11,869,563</u>		<u>11,869,563</u>			<u>11,869,563</u>
Total program services						

-continued-

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE**

SCHEDULE 2

-2-

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	<u>United Synagogue of Conservative Judaism</u>	<u>The United Synagogue Supporting Foundation, Inc.</u>	<u>Total Unrestricted</u>	<u>United Synagogue of Conservative Judaism Temporarily Restricted</u>	<u>United Synagogue of Conservative Judaism Permanently Restricted</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>				
Expenses (Exhibit C) (continued)						
Supporting services						
Management and general	\$ 4,482,543		\$ 4,482,543			\$ 4,482,543
Fund raising	1,430,507		1,430,507			1,430,507
Total supporting services	<u>5,913,050</u>		<u>5,913,050</u>			<u>5,913,050</u>
Total expenses before depreciation and nonrecurring activities	<u>17,782,613</u>		<u>17,782,613</u>			<u>17,782,613</u>
Change in net assets from operations	(1,307,529)		(1,307,529)	\$ 72,316		(1,235,213)
Transfer from Foundation (Note 10)	175,000	\$ (175,000)				
Depreciation and amortization	(570,118)		(570,118)			(570,118)
Investment income - net	120,822	821,019	941,841	84,922		1,026,763
Change in net assets before nonrecurring activities	(1,581,825)	646,019	(935,806)	157,238		(778,568)
Nonrecurring activities						
Reclassifications	(52,168)		(52,168)	212,168	\$ (160,000)	
Change in net assets	(1,633,993)	646,019	(987,974)	369,406	(160,000)	(778,568)
Net assets - beginning of year	11,250,930	8,065,108	19,316,038	5,224,078	1,120,563	25,660,679
Net assets - end of year	<u>\$ 9,616,937</u>	<u>\$ 8,711,127</u>	<u>18,328,064</u>	<u>\$ 5,593,484</u>	<u>\$ 960,563</u>	<u>\$ 24,882,111</u>

See independent auditor's report.