The United Synagogue of Conservative Judaism and Affiliate

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2018 and 2017

BKD
CPAs & Advisors

The United Synagogue of Conservative Judaism and Affiliate
June 30, 2018 and 2017

Contents

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Independent Auditor's Report

Board of Directors of
The United Synagogue of Conservative Judaism and Affiliate
New York, New York

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, 2018, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2017 financial statements were audited by other auditors, and their report thereon, dated April 10, 2018, expressed an unmodified opinion.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information in the supplementary schedules listed in the table of contents is presented for purposes of additional analysis and is 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.

BKD, LLP

New York, New York
April 1, 2019

The United Synagogue of Conservative Judaism and Affiliate

Consolidated Balance Sheets

June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 784,492	$ 1,568,675
Investments	12,890,560	12,549,187
Dues receivable	60,313	123,516
Accounts and other receivables - net	223,361	167,916
Prepaid expenses - program	1,223,287	1,772,955
Contributions receivable - net	465,898	1,127,981
Property and equipment - net	12,358,644	12,897,402
Other assets	514,504	516,614
Total assets	$ 28,521,059	$ 30,724,246
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 1,074,527	$ 963,901
Accrued salaries, vacations and benefits	834,826	1,146,763
Advance deposits	2,522,468	3,731,471
Total liabilities	4,431,821	5,842,135
Net Assets		
Unrestricted		
Operating	9,667,650	9,616,937
Board-designated	8,890,856	8,711,127
Total unrestricted	18,558,506	18,328,064
Temporarily restricted	4,570,169	5,593,484
Permanently restricted	960,563	960,563
Total net assets	24,089,238	24,882,111
Total liabilities and net assets	$ 28,521,059	$ 30,724,246

The United Synagogue of Conservative Judaism and Affiliate

Consolidated Statements of Activities

Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, Losses and Other Support								
Contributions (includes calendar contributions of $272,087 in 2018 and $451,559 in 2017)	$ 1,548,867	$ 1,331,827	$ -	$ 2,880,694	$ 1,410,265	$ 1,394,295	$ -	$ 2,804,560
Membership dues	6,892,393	-	-	6,892,393	6,966,146	-	-	6,966,146
Program revenue	8,521,017	-	-	8,521,017	6,783,559	-	-	6,783,559
Biennial convention	466,738	-	-	466,738	-	-	-	-
Bad debt loss	-	(7,471)	-	(7,471)	-	(46,684)	-	(46,684)
Miscellaneous revenue	168,310	-	-	168,310	39,819	-	-	39,819
Net assets released from restriction	2,424,228	(2,424,228)	-	-	1,275,295	(1,275,295)	-	-
Total revenues, gains, losses and other support	20,021,553	(1,099,872)	-	18,921,681	16,475,084	72,316	-	16,547,400
Expenses								
Program Services								
Youth	10,438,869	-	-	10,438,869	8,545,457	-	-	8,545,457
Education	1,423,031	-	-	1,423,031	1,153,272	-	-	1,153,272
Kehilla strengthening and transformation	2,130,239	-	-	2,130,239	2,170,834	-	-	2,170,834
Other(includes biennial convention of $586,005)	768,129	-	-	768,129		-	-	-
Total program services	14,760,268	-	-	14,760,268	11,869,563	-	-	11,869,563
Supporting Services								
Management and general	3,778,989	-	-	3,778,989	4,482,543	-	-	4,482,543
Fund raising	1,465,798	-	-	1,465,798	1,430,507	-	-	1,430,507
Total supporting services	5,244,787	-	-	5,244,787	5,913,050	-	-	5,913,050
Total expenses before depreciation and nonrecurring activities	20,005,055	-	-	20,005,055	17,782,613	-	-	17,782,613
Change in net assets prior to depreciation, investment income and nonrecurring activities	16,498	(1,099,872)	-	(1,083,374)	(1,307,529)	72,316	-	(1,235,213)
Depreciation and amortization	(560,538)	-	-	(560,538)	(570,118)	-	-	(570,118)
Investment income - net	774,482	76,557	-	851,039	941,841	84,922	-	1,026,763
Change in net assets before nonrecurring activities	230,442	(1,023,315)	-	(792,873)	(935,806)	157,238	-	(778,568)
Nonrecurring Activities								
Reclassifications	-	-	-	-	(52,168)	212,168	(160,000)	-
Change in Net Assets	230,442	(1,023,315)	-	(792,873)	(987,974)	369,406	(160,000)	(778,568)
Net Assets, Beginning of Year	18,328,064	5,593,484	960,563	24,882,111	19,316,038	5,224,078	1,120,563	25,660,679
Net Assets, End of Year	$ 18,558,506	$ 4,570,169	$ 960,563	$ 24,089,238	$ 18,328,064	$ 5,593,484	$ 960,563	$ 24,882,111

The United Synagogue of Conservative Judaism and Affiliate
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	$ (792,873)	$ (778,568)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	560,538	570,118
Net realized and unrealized (gains)/losses on investments	(752,102)	(972,454)
Changes in		
Dues receivable	63,203	(2,326)
Accounts and other receivables	(55,445)	34,866
Prepaid expenses - program	549,668	(1,251,520)
Contributions receivable	662,083	597,897
Other assets	2,110	
Accounts payable and accrued expenses	110,626	251,826
Accrued salaries, vacations and benefits	(311,937)	(87,252)
Advance deposits	(1,209,003)	1,038,086
Net cash used in operating activities	(1,173,132)	(599,327)
Investing Activities		
Capital expenditures	(21,780)	(8,628)
Purchases of investments	(789,656)	(789,656)
Proceeds from sale of investments	1,200,385	889,299
Net cash provided by investing activities	388,949	91,015
Net Change in Cash and Cash Equivalents	(784,183)	(508,312)
Cash and Cash Equivalents, Beginning of Year	1,568,675	2,076,987
Cash and Cash Equivalents, End of Year	$ 784,492	$ 1,568,675
Cash paid for interest	$ 10,383	$ 4,019

Note 1: Nature of Organization and Summary of Significant Accounting Policies

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 563 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.

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.

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 and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

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, 2018 and 2017, the Organization recorded an allowance of approximately $135,000 on accounts and other receivables. As of June 30, 2018 and 2017, the Organization recorded an allowance of $53,482 and $135,813, respectively, on contributions receivable. No allowance has been recorded for dues receivable.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. 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.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2018 and 2017.

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 statements 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, 2018 and 2017.

Advertising

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing services have been summarized on a functional basis. Certain costs have been allocated among the program, management and general and fund raising categories based on the program and supporting services benefited, based on the actual expenditures and costs allocated based on employee time attributed to the program or service.

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.

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, 2018, as compared to those used at June 30, 2017.

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: Valued at the 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.

Limited Liability partnership: Limited liability partnership is valued at the NAV per share which is based on the underlying investments carried at fair value and a 30-day notice of redemption.

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, 2018 and 2017.

Subsequent Events

Subsequent events have been evaluated through April 1, 2019, which is the date the consolidated financial statements were available to be issued.

Reclassifications

In 2017, certain net assets have been transferred between permanently, temporarily restricted and unrestricted net assets based on donor instructions.

Note 2: Investments

The following table sets forth by level and type, within the fair value hierarchy, the assets at fair value as of June 30, 2018:

	Level 1	Level 2	Total
Investments at fair value			
Money market funds	$ 56,149	$ -	$ 56,149
Mutual funds			
Fixed income	703,493	-	703,493
Equity	697,313	-	697,313
Global real estate	108,566	-	108,566
Fixed income - corporate bonds	-	511,087	511,087
Limited liability partnership	-	4,472,225	4,472,225
Exchange traded funds	683,058	-	683,058
Equities			
Basic materials	29,265	-	29,265
Consumer goods	129,305	-	129,305
Financial	119,907	-	119,907
Healthcare	104,964	-	104,964
Industrial goods	26,589	-	26,589
Energy	52,059	-	52,059
Construction	17,063	-	17,063
Technology	156,128	-	156,128
Total investments at fair value	$ 2,883,859	$ 4,983,312	7,867,171
Investments reported using NAV as a practical expedient			
Dynamic asset allocation overlays			
Overlay A - equity-oriented asset allocation			334,141
Overlay B - fixed income - oriented asset allocation			270,616
Limited liability company			4,418,632
Total assets at NAV			5,023,389
Total			$ 12,890,560

The presentation of the limited liability partnership as a Level 2 investment as of June 30, 2017 is a revision from a prior year presentation as an investment qualifying as being presented at NAV as a practical expedient.

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

	Level 1	Level 2	Total
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
Limited liability partnership	-	4,407,112	4,407,112
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	125,028	-	125,028
Total investments at fair value	$ 2,139,553	$ 5,536,573	7,676,126
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
Total assets at NAV			4,873,061
Total			$ 12,549,187

The following table summarizes investments measured at fair value based on NAV per share as of June 30, 2018 and 2017:

	2018 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Dynamic asset allocation overlays				
Overlay A - equity-oriented asset allocation	$ 334,141	-	Daily	None
Overlay B - fixed income - oriented asset allocation	270,616	-	Daily	None
Limited liability company	4,418,632	-	Monthly	15 days
	$ 5,023,389			
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 company	4,304,015	-	Monthly	15 days
	$ 4,873,061			

Investment income consists of the following:

	2018	2017
Interest and dividends (net of fees of $37,700 and $44,638 in 2018 and 2017, respectively)	$ 98,937	$ 54,309
Net unrealized and realized loss/gain on investments	752,102	972,454
	$ 851,039	$ 1,026,763

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.

Note 3: Property and Equipment

	2018	2017	Estimated Useful Lives
Land in Israel	$ 893,710	$ 893,710	
Building in Israel	14,697,694	14,697,694	40 years
Equipment	1,894,688	1,872,908	3-10 years
Cemetery plots	1	1	
Leasehold improvements	1,644,071	1,644,071	15 years
	19,130,164	19,108,384	
Accumulated depreciation and amortization	(6,771,520)	(6,210,982)	
	$ 12,358,644	$ 12,897,402	

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

Note 4: Retirement 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, 2018 and 2017 was $120,702 and $165,097, respectively.

Note 5: 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, 2018 and 2017 are due as follows:

	June 30, 2018	June 30, 2017
Due with in one year	$ 199,762	$ 810,768
Due in one to five years	377,327	547,362
	577,089	1,358,130
Less allowance for uncollectible amounts	(57,709)	(135,813)
	519,380	1,222,317
Less discount to present value	(53,482)	(94,336)
	$ 465,898	$ 1,127,981

Note 6: 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. The loan bears interest at the 6-month LIBOR plus 3.75%, which was 6.26% and 4.97% at June 30, 2018 and 2017, respectively. The line expires in May 2019. As of June 30, 2018 and 2017, the amount outstanding on the line of credit was zero. Interest expense for the years ended June 30, 2018 and 2017 was $10,383 and $4,019, respectively.

Note 7: Related Organizations in Israel

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 and is governed by its members. The Organization is related to the Amutta as it owns 0.1% of the outstanding shares of the Amutta.

The Organization and the Amutta also own two corporations established 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. These corporations are not consolidated into these financial statements.

The Amutta, the United Synagogue Center and CJEC use a December 31 year end. Individual financial statements have been issued in Israel using Israeli accounting principles. Those financial statements were denominated in New Israeli Shekel.

Note 8: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes and/or time restriction:

	2018	2017
Kehilot (member congregation) programs and services	$ 1,005,147	$ 1,341,736
Youth scholarships	1,094,234	1,221,114
Youth programs	426,244	588,021
Israel educational programs and operating support	839,217	1,245,351
Tikun olam (social action and disaster relief)	312,648	275,802
Annual fund time-restricted pledges and other	892,679	921,460
Total	$ 4,570,169	$ 5,593,484

Temporarily restricted net assets were released from donor restrictions during fiscal 2018 and 2017 by incurring expenses satisfying the following restricted purposes and/or expiration of time restrictions:

	2018	2017
Kehilot (member congregation) programs and services	$ 523,330	$ 176,472
Youth scholarships	389,700	195,242
Youth programs	257,349	237,860
Israel educational programs and operating support	573,746	263,234
Tikun olam (social action and disaster relief)	84,056	98,760
Annual fund time-restricted pledges and other	596,047	303,727
Total	$ 2,424,228	$ 1,275,295

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 have 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, 2018 and 2017.

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:

	2018	2017
Day schools principals training program	$ 775,372	$ 775,372
Youth program and scholarships	135,191	135,191
Leadership development	50,000	50,000
	$ 960,563	$ 960,563

Changes in endowment net assets for the year ended June 30, 2018:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 960,563	$ 960,563
Realized gains	12,865	-	12,865
Appropriation	(12,865)	-	(12,865)
Reclassification*	-	-	-
Endowment net assets, end of year	$ -	$ 960,563	$ 960,563

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

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

* Reclassification was made per donor direction.

Note 9: Board-Designated Net Assets

During 2016, The United Synagogue of Conservative Judaism 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 of Conservative Judaism 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.

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 $452,000 to The United Synagogue of Conservative Judaism on January 1, 2018. Thereafter, The United Synagogue of Conservative Judaism shall request, no later than December 31st of the calendar year ended 2018, 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 approximately $405,000 was made in 2018 to be distributed in 2019.

Notwithstanding the provisions detailed above and the returns, or lack thereof, achieved by the Foundation, The United Synagogue of Conservative Judaism 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.

Changes in board designated endowment net assets for the years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Beginning balance	$ 8,711,126	$ 8,065,108
Interest and dividends	33,374	23,901
Realized gains	574,236	188,483
Unrealized gains	61,820	640,892
Withdrawals	(452,000)	(175,000)
Investment expenses	(37,700)	(32,257)
Ending balance	$ 8,890,856	$ 8,711,127

Note 10: 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, 2019. Future minimum lease payments are as follows:

Year Ending June 30,	
2019/20	$ 669,571
2020/21	669,571
2021/22	669,571
2022/23	669,571
2023/24	736,528
Thereafter	6,260,489
	$ 9,675,301

Future minimum lease payments under operating leases for office space at the regional offices as of June 30, 2018 are as follows:

Year Ending June 30,	
2019/20	$ 88,213
2020/21	24,305
2021/22	13,010
	$ 125,528

The leases expire on dates ranging through October 31, 2019. Rent expense for the years ended June 30, 2018 and 2017 was $739,637 and $778,221, respectively.

Note 11: Functional Expenses

	2018	
Program services		$ 15,298,666
Management and general	$ 3,801,129	
Investment fees - management and general	50,081	3,851,210
Fund raising		1,465,798
Total functional expenses		$ 20,615,674

	2017	
Program services		$ 12,382,673
Management and general	$ 4,539,551	
Investment fees - management and general	44,638	4,584,189
Fund raising		1,430,507
Total functional expenses		$ 18,397,369

Functional expenses include allocations of depreciation and amortization expense.

Note 12: 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, 2018 and 2017 are gross pledges of approximately $130,000 from one donor and $500,000 from four donors, respectively.

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.

Note 13: Future Change in Accounting Principles

NFP Accounting Standard for Financial Reporting

Accounting Standards Update (ASU) 2016-14 changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted and should be applied on a retrospective basis; however, NFPs have the option in the year adopted to omit certain disclosures shown in comparative financials.

A summary of the changes by financial statement area is as follows:

Statement of financial position:

- The NFP statement of financial position will distinguish between two new classes of net assets those with donor-imposed restrictions and those without. The ASU retains the current requirements to provide information on the nature and amount of different types of donor restrictions in the notes to the financial statements.
- Underwater donor-restricted endowment funds are to be shown within the donor-restricted fund class. This is a change from the previously required classification as unrestricted.

Statement of activities:

- The standard requires NFPs to report expenses by both nature and function, either on the face of the statement of activities, as a separate statement or within the notes.
- NFPs are required to use the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset, in the absence of explicit donor stipulations. This eliminates the option to release the donor-imposed restriction over the estimated useful life of the acquired asset.
- Investment income will be shown net of external and direct internal investment expenses. There is no longer a requirement to include a disclosure of those netted expenses.

Statement of cash flows:

- An NFP can continue to choose to either use the indirect or direct method of reporting to present operating cash flows. If the direct method is used, there is no longer a requirement to present or disclose cash flows using the indirect (reconciliation) method.

Notes to the financial statements:

- The standard requires enhanced quantitative and qualitative disclosures to provide additional information useful in assessing liquidity and cash flows.
- Provide disclosures on amounts and purposes of governing board or self-imposed designations and appropriations as of the end of the period.

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for non-public entities, including any interim periods therein. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, for non-public entities including interim periods within these fiscal years. The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Supplementary Information

The United Synagogue of Conservative Judaism and Affiliate

Consolidating Balance Sheet

June 30, 2018

	United Synagogue of Conservative Judaism	The United Synagogue Supporting Foundation, Inc.	Total
Assets			
Cash and cash equivalents	$ 784,492	$ -	$ 784,492
Investments	3,999,704	8,890,856	12,890,560
Dues receivable	60,313	-	60,313
Accounts and other receivables - net	223,361	-	223,361
Prepaid expenses - program	1,223,287	-	1,223,287
Contributions receivable - net	465,898	-	465,898
Fixed assets - net	12,358,644	-	12,358,644
Other assets	514,504	-	514,504
Total assets	$ 19,630,203	$ 8,890,856	$ 28,521,059
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	$ 1,074,527	$ -	$ 1,074,527
Accrued salaries, vacations and benefits	834,826	-	834,826
Advance deposits	2,522,468	-	2,522,468
Total liabilities	4,431,821	-	4,431,821
Net Assets			
Unrestricted			
Operating	9,667,650	-	9,667,650
Board-designated	-	8,890,856	8,890,856
Total unrestricted	9,667,650	8,890,856	18,558,506
Temporarily restricted	4,570,169	-	4,570,169
Permanently restricted	960,563	-	960,563
Total net assets	15,198,382	8,890,856	24,089,238
Total liabilities and net assets	$ 19,630,203	$ 8,890,856	$ 28,521,059

The United Synagogue of Conservative Judaism and Affiliate

Consolidating Statement of Activities

Year Ended June 30, 2018

	United Synagogue of Conservative Judaism	The United Synagogue Supporting Foundation, Inc.		United Synagogue of Conservative Judaism		
	Unrestricted	Unrestricted	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, Losses and Other Support						
Contributions	$ 1,548,867	$ -	$ 1,548,867	$ 1,331,827	$ -	$ 2,880,694
Membership dues	6,892,393	-	6,892,393	-	-	6,892,393
Program revenue	8,521,017	-	8,521,017	-	-	8,521,017
Program revenue	466,738	-	466,738	-	-	466,738
Bad debt loss	-	-	-	(7,471)	-	(7,471)
Miscellaneous revenue	168,310	-	168,310	-	-	168,310
Net assets released from restriction	2,424,228	-	2,424,228	(2,424,228)	-	-
Total revenues, gains, losses and other support	20,021,553	-	20,021,553	(1,099,872)	-	18,921,681
Expenses						
Program services						
Youth	10,438,869	-	10,438,869	-	-	10,438,869
Books and publications			-			-
Education	1,423,031	-	1,423,031	-	-	1,423,031
Kehilla strengthening and transformation	2,130,239	-	2,130,239	-	-	2,130,239
Other	768,129	-	768,129	-	-	768,129
Total program services	14,760,268	-	14,760,268	-	-	14,760,268
Supporting Services						
Management and general	3,778,989	-	3,778,989	-	-	3,778,989
Fund raising	1,465,798	-	1,465,798	-	-	1,465,798
Total supporting services	5,244,787	-	5,244,787	-	-	5,244,787
Total expenses before depreciation and nonrecurring activities	20,005,055	-	20,005,055	-	-	20,005,055

The United Synagogue of Conservative Judaism and Affiliate

Consolidating Statement of Activities

Year Ended June 30, 2018

	United Synagogue of Conservative Judaism	The United Synagogue Supporting Foundation, Inc.		United Synagogue of Conservative Judaism		
	Unrestricted	Unrestricted	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Change in net assets prior to depreciation, investment income and nonrecurring activities	$ 16,498	$ -	$ 16,498	$ (1,099,872)	$ -	$ (1,083,374)
Transfer from Foundation	452,000	(452,000)	-	-	-	-
Depreciation and amortization	(560,538)	-	(560,538)	-	-	(560,538)
Investment income - net	142,753	631,729	774,482	76,557	-	851,039
Change in net assets before nonrecurring activities	50,713	179,729	230,442	(1,023,315)	-	(792,873)
Nonrecurring activities						
Reclassifications	-	-	-	-	-	-
Change in Net Assets	50,713	179,729	230,442	(1,023,315)	-	(792,873)
Net Assets, Beginning of Year	9,616,937	8,711,127	18,328,064	5,593,484	960,563	24,882,111
Net Assets, End of Year	$ 9,667,650	$ 8,890,856	$ 18,558,506	$ 4,570,169	$ 960,563	$ 24,089,238

The United Synagogue of Conservative Judaism and Affiliate

Consolidated Statements of Expenses

Years Ended June 30, 2018 and 2017

	2018	2017
Salaries	$ 5,524,627	$ 6,343,228
Payroll taxes and employee benefits	945,871	958,116
Total salaries and related expenses	6,470,498	7,301,344
Grant expense	10,383	300,501
Advertising and promotion	52,147	65,858
Dues and subscriptions	36,481	25,764
Insurance	178,605	192,645
Building maintenance	1,165	1,800
Meetings and conferences	166,346	161,046
Equipment rental and repair	122,916	132,012
Occupancy	814,026	792,700
Office supplies	65,893	69,101
Travel and lodging	495,780	491,569
Postage and shipping	184,103	153,681
Printing and publications	276,129	335,304
Professional fees and contract services	962,324	721,879
Program expenses and participant costs	9,012,991	6,734,634
Biennial convention	586,005	-
Telephone	138,720	126,333
Miscellaneous	430,543	176,442
Total expenses before depreciation and amortization	20,005,055	17,782,613
Depreciation and amortization	560,538	570,118
Total expenses (includes interest expense of $10,383 in 2018 and $4,019 in 2017)	$ 20,565,593	$ 18,352,731