

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2014

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

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LOEB & TROPER LLP

Independent Auditor's Report

Board of Directors of The United Synagogue of Conservative Judaism

Report on the Financial Statements

We have audited the accompanying financial statements of The United Synagogue of Conservative Judaism, which comprise the balance sheet as of June 30, 2014, and the related statements of activities, expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The United Synagogue of Conservative Judaism as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the June 30, 2013 financial statements of The United Synagogue of Conservative Judaism, Inc., and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

December 10, 2014

EXHIBIT A

2,053,622
4,783,436
471,642
509,457
1,540,526
714,525
73,717
28,077,573
7,188
38,231,686

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

**EXHIBIT A
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BALANCE SHEET

JUNE 30, 2014
(With Summarized Financial Information for June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
				2014
				2013
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 1,530,210			\$ 1,530,210
Line of credit (Note 7)	358,000			358,000
Accrued salaries, vacations and benefits	870,078			870,078
Advance deposits	3,010,135			3,010,135
Total liabilities	5,768,423			5,768,423
Net assets (Exhibit B)				
Unrestricted	26,011,210			26,011,210
Temporarily restricted (Note 9)	\$ 3,007,587			3,007,587
Permanently restricted (Note 9)			\$ 1,171,149	1,171,149
Total net assets	26,011,210	3,007,587	1,171,149	30,189,946
Total liabilities and net assets	\$ 31,779,633	\$ 3,007,587	\$ 1,171,149	\$ 35,958,369
				\$ 38,231,686

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014
(With Summarized Financial Information
for the Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		2014	2013	
Revenues, gains and other support				
Contributions (includes calendar contributions of \$391,255 in 2014 and \$540,073 in 2013)	\$ 2,522,757	\$ 2,724,539	\$ 50,000	\$ 2,320,575
Membership dues	7,509,542			7,829,959
Program revenue	9,300,205			9,117,517
Biennial convention	752,898			752,898
Books and publications	1,210,608			1,210,608
Investment income - net (Note 3)	408,797	111,983		1,885,190
Bad debt loss		(216,500)		371,422
Miscellaneous revenue	1,812			(52,371)
Net assets released from restrictions (Note 9)	1,828,318	(1,828,318)		4,172
Total revenues, gains and other support	23,534,937	791,704	50,000	21,476,464
Expenses (Exhibit C)				
Program services				
Youth	10,949,315			11,645,488
Books and publications	1,747,291			2,267,879
Education	1,985,561			1,700,060
Kehilla strengthening and transformation	2,399,548			2,422,829
Biennial convention	757,935			757,935
Other	837,254			759,132
Total program services	18,676,904			18,795,388

-continued-

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

**EXHIBIT B
-2-**

STATEMENT OF ACTIVITIES

**YEAR ENDED JUNE 30, 2014
(With Summarized Financial Information
for the Year Ended June 30, 2013)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	2014	2014	2014	2013
Expenses (Exhibit C) (continued)				
Supporting services	\$ 3,702,862			\$ 3,407,997
Management and general	1,664,272			1,324,258
Fund raising	5,367,134			4,732,255
Total supporting services	<u>24,044,038</u>			<u>23,527,643</u>
Total expenses before depreciation and nonrecurring activities				
Change in net assets from operations	(509,101)	\$ 791,704	\$ 50,000	(2,051,179)
Depreciation	<u>(1,049,876)</u>			<u>(1,073,953)</u>
Change in net assets before nonrecurring activities	<u>(1,558,977)</u>	<u>791,704</u>	<u>50,000</u>	<u>(3,125,132)</u>
Nonrecurring activities				
Transformation expenses	(301,028)			(240,069)
Transfer to Schechter Day School Network		(212,371)		(301,028)
Reclassification (Notes 2 and 9)		<u>(44,841)</u>	<u>44,841</u>	<u>(212,371)</u>
Change in net assets (Exhibit D)	<u>(1,860,005)</u>	<u>534,492</u>	<u>94,841</u>	<u>(3,365,201)</u>
Net assets - beginning of year	<u>27,871,215</u>	<u>2,473,095</u>	<u>1,076,308</u>	<u>34,785,819</u>
Net assets - end of year (Exhibit A)	<u>\$ 26,011,210</u>	<u>\$ 3,007,587</u>	<u>\$ 1,171,149</u>	<u>\$ 31,420,618</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**THE UNITED SYNAGOGUE OF
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STATEMENT OF EXPENSES

YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Salaries	\$ 7,471,144	\$ 7,916,270
Payroll taxes and employee benefits	<u>1,495,558</u>	<u>1,628,666</u>
Total salaries and related expenses	8,966,702	9,544,936
Grant expense	353,409	404,993
Advertising and promotion	58,985	119,740
Dues and subscriptions	33,272	33,768
Insurance	221,712	225,903
Building maintenance	70,908	60,971
Meetings and conferences	309,186	240,793
Equipment rental and repair	158,333	164,222
Occupancy (Note 9)	496,322	483,948
Office supplies	70,702	93,029
Travel and lodging	542,357	589,742
Postage and shipping	359,332	533,192
Printing and publications	313,658	352,134
Professional fees and contract services	1,180,766	592,358
Program expenses and participant costs	8,781,760	8,044,193
Biennial convention	757,935	
Book and publication fulfillment costs	1,250,368	1,798,244
Telephone	183,730	205,128
Bad debt expense	50,361	95,500
Depreciation	1,049,876	1,073,953
Miscellaneous	<u>185,268</u>	<u>184,918</u>
Total expenses (includes interest expense of \$56,454 in 2014 and \$66,349 in 2013) (Exhibit B)	<u>\$ 25,394,942</u>	<u>\$ 24,841,665</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT D**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM****STATEMENT OF CASH FLOWS****YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (1,230,672)	\$ (3,365,201)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	1,049,876	1,073,953
Net realized and unrealized gain on investments	(411,252)	(241,200)
Decrease (increase) in assets		
Dues receivable	327,113	(62,447)
Accounts and other receivables	(15,874)	117,196
Prepaid expenses - program	441,898	(455,934)
Contributions receivable	(1,408,345)	252,117
Inventory	(26,434)	8,023
Other assets	(1,390)	2,342
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(66,669)	(225,695)
Accrued salaries, vacations and benefits	47,021	205,652
Advance deposits	(1,380,997)	1,001,320
Net cash used by operating activities	<u>(2,675,725)</u>	<u>(1,689,874)</u>
Cash flows from investing activities		
Capital expenditures	(30,799)	(21,574)
Purchases of investments	(1,631,185)	(1,569,252)
Proceeds from sale of investments	<u>2,484,468</u>	<u>2,982,199</u>
Net cash provided by investing activities	<u>822,484</u>	<u>1,391,373</u>
Cash flows from financing activities		
Proceeds from line of credit	<u>358,000</u>	
Net change in cash and cash equivalents	(1,495,241)	(298,501)
Cash and cash equivalents - beginning of year	<u>2,053,622</u>	<u>2,352,123</u>
Cash and cash equivalents - end of year	<u>\$ 558,381</u>	<u>\$ 2,053,622</u>
Cash paid for interest	<u>\$ 56,454</u>	<u>\$ 66,349</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 approximately 614 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.

The United Synagogue's primary sources of revenues are membership dues, program revenue and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of estimates - The preparation of 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 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 United Synagogue routinely invests its surplus operating funds in money market mutual funds. The money market funds invest in highly liquid U.S. Government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. Government.

Investments - Investments are recorded at fair value. Net investment income earned on endowment funds with donor restrictions as to the use of such income has been reported in the temporarily restricted class of net assets based upon donor stipulation. The balance of net investment income earned on endowment funds that does not have donor restrictions is reflected in the temporarily restricted net assets until formally appropriated, at which time they are reclassified to the unrestricted class of net assets.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued) - The United Synagogue 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 financial statements.

Revenues, accounts receivable and other receivables - Revenues and related receivables are recognized based on programs operated and/or dues expected to be earned in the fiscal year. 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 United Synagogue determines whether an allowance for doubtful accounts should be provided for dues, contributions and other accounts receivable. 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, 2014 and 2013, The United Synagogue recorded an allowance of approximately \$135,000 on accounts and other receivables. As of June 30, 2014 and 2013, The United Synagogue recorded an allowance of \$687,450 and \$510,500, respectively, on contributions and grants receivable.

Inventory - Inventory is recorded at the lower of cost or market using the first-in, first-out method.

Land, building and equipment - Land, building and equipment are recorded at cost. Buildings and equipment are depreciated on the straight-line method over the estimated useful lives of the assets. The United Synagogue'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 earned and are recorded as liabilities.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 United Synagogue 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 United Synagogue in perpetuity.

Program revenue - Program revenue includes revenues from providing events, trips and other programming for youth and members of The United Synagogue.

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 statement of activities as net assets released from restrictions.

Transformation expenses - Transformation expenses relate to costs incurred by The United Synagogue in its process of developing a plan to transform how it carries out its mission and to implement its Strategic Plan.

Rent - Rent is expensed on the straight-line basis. As of June 30, 2014, deferred rent is recorded when material. No deferred rent has been recorded.

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.

Measure of operations - The financial statements of The United Synagogue include in its definition of operations all revenues and expenses associated with ongoing programs of The United Synagogue. Excluded from operations are depreciation, transformation expenses, and the transfer to the Schechter Day School Network.

Uncertainty in income taxes - The United Synagogue has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2011 and subsequent remain subject to examination by applicable taxing authorities.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 United Synagogue 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, 2014, as compared to those used at June 30, 2013.

Money market funds, fixed income-corporate bonds, equities - Valued at the closing price reported on the active market on which the individual security is traded.

Mutual funds, exchange traded fund and dynamic asset allocation overlays - Valued at the net asset value ("NAV") of shares held at year end.

State of Israel bonds - Valued at face value, which approximates fair value.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2014.

Receipts on account of shares - Receipts on account 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 (see Note 8).

Reclassification - Certain net assets were reclassified as per a change in the donor's intent.

Summarized financial information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Subsequent events - Subsequent events have been evaluated through December 10, 2014, which is the date the financial statements were available to be issued.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014:

	2014			2013
	Level 1	Level 2	Total	
Money market funds	\$ 56,529		\$ 56,529	\$ 168,690
Mutual funds				
Equity	1,099,261		1,099,261	881,651
Fixed income	600,679		600,679	816,782
Global real estate	167,472		167,472	180,880
International	107,964		107,964	108,397
Fixed income - corporate bonds	962,652		962,652	900,387
Equities				
Basic materials	170,924		170,924	403,193
Consumer goods	48,788		48,788	29,740
Financial	80,506		80,506	104,101
Healthcare	55,835		55,835	160,060
Industrial goods	184,808		184,808	173,648
Technology	189,985		189,985	155,735
State of Israel bonds				1,000
Exchange traded fund				49,100
Dynamic asset allocation overlays				
Overlay A - equity-oriented asset allocation		\$ 249,740	249,740	269,284
Overlay B - fixed income- oriented asset allocation		366,262	366,262	380,788
	<u>\$ 3,725,403</u>	<u>\$ 616,002</u>	<u>\$ 4,341,405</u>	<u>\$ 4,783,436</u>

Investment income consists of the following:

	2014	2013
Interest and dividends (net of fees of \$25,400)	\$ 109,528	\$ 130,222
Net unrealized and realized gain on investments	<u>411,252</u>	<u>241,200</u>
	<u>\$ 520,780</u>	<u>\$ 371,422</u>

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 4 - LAND, BUILDING AND EQUIPMENT

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful Lives</u>
Land in Israel	\$ 893,710	\$ 893,710	
Building in Israel	14,697,694	14,683,580	40 years
Condominium office space in New York City	17,514,249	17,514,249	30 years
Equipment	1,791,875	1,775,191	3-10 years
Cemetery plots	<u>1</u>	<u> </u>	
	34,897,529	34,866,730	
Accumulated depreciation	<u>(7,839,033)</u>	<u>(6,789,157)</u>	
	<u>\$ 27,058,496</u>	<u>\$ 28,077,573</u>	

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

The United Synagogue Center (a related organization in Israel - see Note 8) obtained a line of credit for \$5.5 million from U Bank utilizing 2, 4, 6 and 10 Agron Street, Jerusalem, Israel as collateral, which is owned by United Synagogue. As of June 30, 2014, the amount owed on the line of credit is \$1,522,500. During fiscal year 2014, The United Synagogue's Board of Directors committed \$205,000 towards a principal payment of the United Synagogue Center's line of credit in fiscal year 2015. Interest expense for the year ended June 30, 2014 was \$46,609, which was paid by The United Synagogue.

In August 2004, a resolution was signed by The United Synagogue to guarantee the United Synagogue Center's borrowings from Mercantile Bank, Israel for a sum not to exceed \$1.3 million with interest at LIBOR plus 2.75% or less per annum. The loan is to be repaid over ten years or less and is secured by collateral known as the United Synagogue Center. In May 2014, the Mercantile Bank loan was transferred to U Bank utilizing 8 Agron Street, Jerusalem, Israel as collateral with interest at LIBOR plus 3.75%. The loan is to be repaid over five years. During fiscal year 2014, The United Synagogue made a principal payment of \$132,239 toward the loan with the Board of Directors approval. As of June 30, 2014, the principal balance outstanding on this loan totaled \$168,200. This loan is not recorded on the balance sheet. Interest expense for the year ended June 30, 2014 was \$6,200, which was paid by The United Synagogue.

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

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**THE UNITED SYNAGOGUE OF
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 5 - PENSION PLANS

The United Synagogue has two defined contribution retirement plans. Contributions and costs are determined as 3.75% for the executive plan when each employee covered electively contributes at least 4% of his or her gross salary. Under the union membership plan, The United Synagogue matches the employees' voluntary contributions up to 10% of their salaries. Pension expense for the year was \$248,280 for the executive and union plans combined.

NOTE 6 - CONTRIBUTIONS RECEIVABLE

All 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 a discount rate of 4% - 6%. The receivables are due as follows:

Current and due in 2015	\$ 726,930
2016	640,350
2017	627,100
2018	601,396
2019	<u>554,537</u>
	3,150,313
Less allowance for uncollectible amounts	<u>(687,450)</u>
	2,462,863
Less discount to present value	<u>(339,993)</u>
	<u>\$ 2,122,870</u>

NOTE 7 - LINE OF CREDIT

In December 2013, a resolution was signed by The United Synagogue to obtain 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 will bear interest at LIBOR plus 3.75%, which was 4.2922% at June 30, 2014. The line expires in May 2019. As of June 30, 2014, the amount outstanding on the line of credit is \$358,000. Interest expense for the year ended was \$3,645.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 8 - RELATED ORGANIZATIONS

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 United Synagogue 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 United Synagogue is related to the Amutta through common members of their governing bodies.

The United Synagogue 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 United Synagogue 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 United Synagogue, 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. These revenues also include restricted contributions and general funds of The United Synagogue.

The Amutta invested the funds received from The United Synagogue that are dedicated to the construction of the "Center" in capital notes of the Company in Israel 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.

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**THE UNITED SYNAGOGUE OF
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 8 - RELATED ORGANIZATIONS (continued)

The Amutta, the United Synagogue Center and CJEC use a December 31 year end. The United Synagogue 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. If the individual financial statements were consolidated, the intercompany transfers relating to the assets in the "Center" would be eliminated. As of December 31, 2013, the Amutta has recorded an investment in related companies of \$13,428,111. This represents an investment of \$12,343,535 in the United Synagogue Center and \$1,084,576 in CJEC. Summaries of the latest financial statements are as follows:

United Synagogue of America (an Amutta in Israel)

Balance Sheet

December 31, 2013

Assets	\$ <u>13,911,835</u>
Liabilities	\$ 141,824
Net assets	<u>13,770,011</u>
Total liabilities and net assets	\$ <u>13,911,835</u>

United Synagogue of America (an Amutta in Israel)

Statement of Activities

Year Ended December 31, 2013

Revenues and gains	\$ 1,560,122
Expenses	<u>1,399,689</u>
Change in net assets before loss on subsidiaries	160,433
Loss on subsidiaries	<u>(701,637)</u>
Change in net assets	(541,204)
Net assets - beginning of year	<u>14,311,215</u>
Net assets - end of year	\$ <u>13,770,011</u>

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 8 - RELATED ORGANIZATIONS (continued)

United Synagogue Center

Balance Sheet

December 31, 2013

Assets	\$ <u>14,221,163</u>
Liabilities	\$ 1,922,951
Net assets	<u>12,298,212</u>
Total liabilities and net assets	\$ <u>14,221,163</u>

United Synagogue Center

Statement of Activities

Year Ended December 31, 2013

Revenues and gains	\$ 140,535
Expenses	<u>764,021</u>
Change in net assets	(623,486)
Net assets - beginning of year	12,737,673
Receipts on account of shares	<u>184,025</u>
Net assets - end of year	\$ <u>12,298,212</u>

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 8 - RELATED ORGANIZATIONS (continued)

Conservative Judaism Educational Company Limited

Balance Sheet

December 31, 2013

Assets	\$ <u>1,085,909</u>
Liabilities	\$ 193,717
Capital	<u>892,192</u>
Total liabilities and capital	\$ <u>1,085,909</u>

Conservative Judaism Educational Company Limited

Statement of Activities

Year Ended December 31, 2013

Revenues	\$ 45,520
Expenses	<u>124,373</u>
Change in net assets	(78,853)
Capital - beginning of year	<u>971,045</u>
Capital - end of year	\$ <u>892,192</u>

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 9 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets during June 30, 2014 are available for the following purposes:

Youth and educational scholarships and programs	\$ <u>3,007,587</u>
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Temporarily restricted net assets were released from donor restrictions during fiscal 2014 by incurring expenses satisfying the following restricted purposes:

Youth and educational scholarships and programs	\$ <u>1,828,318</u>
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During 2014, The United Synagogue transferred \$212,371 to the Schechter Day School Network, a new not-for-profit organization. Their funds were held by the United Synagogue until the Schechter Day School Network became a separate organization.

Endowments - Permanently Restricted Net Assets

General

The United Synagogue's endowment consists of individual donor-restricted endowment funds established for youth scholarships, educational programs, youth programs and Solomon Schechter principal 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 United Synagogue 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 United Synagogue 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.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Endowments - Permanently Restricted Net Assets (continued)

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 United Synagogue does not have any funds with deficiencies.

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:

Education and youth programs	\$ 1,126,205
Solomon Schechter principals programs	5,844
Youth scholarships	<u>39,100</u>
	<u>\$ 1,171,149</u>

Changes in endowment net assets for the year ended June 30, 2014:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,076,308	\$ 1,076,308
Contributions		50,000	50,000
Realized gains	110,762		110,762
Appropriation	(110,762)		(110,762)
Reclassification*	<u> </u>	<u>44,841</u>	<u>44,841</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,171,149</u>	<u>\$ 1,171,149</u>

* Reclassification was made per donor direction.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 10 - OPERATING LEASES

Future minimum lease payments under operating leases for office space at the regional offices as of June 30, 2014 are as follows:

<u>Year Ending June 30</u>	
2015/16	\$ 134,537
2016/17	74,259
2017/18	35,380
2018/19	<u>2,249</u>
	<u>\$ 246,425</u>

The leases expire on dates ranging through July 31, 2017. Rent expense for the year ended June 30, 2014 was \$266,375.

NOTE 11 - FUNCTIONAL EXPENSES

Program services	\$ 19,621,792
Management and general	4,108,878
Fund raising	1,664,272
Investment fees	<u>25,400</u>
Total functional expenses	<u>\$ 25,420,342</u>

Functional expenses include an allocation of depreciation expense.

NOTE 12 - CONCENTRATIONS

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

Included in gross contributions receivable are gross pledges of \$1.8 million from five donors.

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**THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 13 - COMMITMENTS

The United Synagogue's Chief Executive Officer and Chief Operating Officer have employment agreements with expiration dates of June 30, 2015 and 2016, respectively. The agreements provide for severance payments under certain circumstances. If the agreements are not terminated prior to their expiration dates, the severance payments will not be due.

NOTE 14 - SUBSEQUENT EVENT

After a careful process, including engagement of a leading real estate advisory firm to establish market values of The United Synagogue's New York City offices, the Board of Directors of The United Synagogue made a decision to list such facilities for sale. Based upon significant market response, on September 23, 2014 The United Synagogue entered into a non-binding letter of intent with a potential Buyer. Currently, such potential Buyer and The United Synagogue are negotiating a binding Purchase Agreement and the purchaser is undertaking its due diligence. If the Purchase Agreement is executed, and all approvals are secured, it is expected that Closing of such sale will occur between February and April 2015. There can be no guarantee such sale will occur. When the sale is completed, The United Synagogue will be moving to new offices in Manhattan. The United Synagogue's senior lay and professional leadership are in the midst of assessing and determining the uses of net sales proceeds to advance its strategic objectives.