

Consolidated Financial Statements and
Supplementary Information Together with
Report of Independent Certified Public Accountants

**JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC.
AND AFFILIATES**

For the year ended September 30, 2016,
With summarized comparative information for the
year ended September 30, 2015

JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC. AND RELATED ORGANIZATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
**Jewish National Fund (Keren Kayemeth LeIsrael), Inc.
and Related Organization**

We have audited the accompanying consolidated financial statements of Jewish National Fund (Keren Kayemeth LeIsrael), Inc. and Affiliates (collectively, "JNF"), which comprise the consolidated statement of financial position as of September 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 JNF'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 JNF'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 Jewish National Fund (Keren Kayemeth LeIsrael), Inc. and Affiliates as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated balance sheet (excludes AMIIE) as of September 30, 2016 and the consolidated statements of activities and functional expenses (excludes AMIIE) for the year ended September 30, 2016, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on 2015 summarized comparative information

We have previously audited JNF's 2015 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 16, 2016. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



New York, New York
June 30, 2017

JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC. AND AFFILIATES

Consolidated Statement of Financial Position

As of September 30, 2016, with summarized comparative totals as of September 30, 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 20,446,203	\$ 14,225,737
Property held for sale (Note 6)	6,079,978	7,920,000
Contributions receivable, net (Note 5)	31,559,823	31,264,623
Prepaid expenses and other assets	2,202,507	1,679,882
Investments (Note 3)	237,501,917	218,536,217
Investments held under split-interest agreements (Note 4)	76,508,629	69,619,956
Beneficial interest in trust held by others	658,440	633,935
Fixed assets, net (Note 6)	35,252,448	44,886,563
Total assets	\$ 410,209,945	\$ 388,766,913
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 4,356,699	\$ 5,504,600
Accrued payroll and related liabilities	1,541,908	1,353,738
Deferred revenue	1,596,801	1,123,687
Grants payable, net (Note 9)	20,331,122	28,582,110
Obligations due under split-interest agreements (Note 4)	38,464,628	36,334,453
Total liabilities	66,291,158	72,898,588
Commitments		
Net assets		
Unrestricted (Note 2)		
Operating	91,247,454	56,040,954
Boruchin Israel Education Advocacy Center	103,582,548	100,000,000
JNF Initiatives Fund	50,000,000	50,000,000
Investment in fixed assets	41,332,426	53,246,020
Total unrestricted	286,162,428	259,286,974
Temporarily restricted (Note 11)	47,427,667	46,767,614
Permanently restricted (Notes 11 and 12)	10,328,692	9,813,737
Total net assets	343,918,787	315,868,325
Total liabilities and net assets	\$ 410,209,945	\$ 388,766,913

The accompanying notes are an integral part of this consolidated financial statement.

**JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC.
AND AFFILIATES**

Consolidated Statement of Activities

For the year ended September 30, 2016, with summarized comparative totals for the year ended September 30, 2015

	Unrestricted				Total	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
	Operating	Boruchin Israel Education Advocacy Center	JNF Initiatives Fund	Investment in Fixed Assets					
REVENUES, GAINS (LOSSES) AND OTHER SUPPORT									
Contributions	\$ 46,660,276	\$ -	\$ -	\$ -	\$ 46,660,276	\$ 6,096,265	\$ 505,000	\$ 53,261,541	\$ 44,257,744
Special events revenue	\$ 8,443,723								
Less direct cost of special events	(2,804,045)								
Net special events revenue	5,639,678	-	-	-	5,639,678	-	-	5,639,678	5,392,187
Tuition and fees	7,645,071								
Less financial aid awards	(635,677)								
Net tuition and fees	7,009,394	-	-	-	7,009,394	-	-	7,009,394	7,894,569
Bequests	11,578,550	-	-	-	11,578,550	-	-	11,578,550	145,742,369
Contributions from split-interest agreements	-	-	-	-	-	4,370,302	-	4,370,302	1,951,303
Change in value of split-interest agreements	-	-	-	-	-	(2,156,558)	7,114	(2,149,444)	(2,374,685)
Investment income (Note 3)	6,790,482	4,767,548	-	-	11,558,030	2,451,574	-	14,009,604	(985,095)
Other revenue	632,526	-	-	-	632,526	-	-	632,526	1,219,546
Net assets released from restrictions and reclassifications (Note 11)	10,098,689	-	-	-	10,098,689	(10,101,530)	2,841	-	-
Total revenues, gains (losses) and other support	88,409,595	4,767,548	-	-	93,177,143	660,053	514,955	94,352,151	203,097,938
EXPENSES									
Program services									
Israel projects	33,371,967	925,000	-	505,923	34,802,890	-	-	34,802,890	40,408,390
Education	12,903,852	260,000	-	633,960	13,797,812	-	-	13,797,812	12,956,935
Missions and scholarships	9,155,386	-	-	65,583	9,220,969	-	-	9,220,969	5,968,204
Total program services	55,431,205	1,185,000	-	1,205,466	57,821,671	-	-	57,821,671	59,333,529
Supporting services									
Management and general	6,549,626	-	-	163,805	6,713,431	-	-	6,713,431	5,676,124
Donor development and fund raising	6,855,251	-	-	196,748	7,051,999	-	-	7,051,999	6,007,988
Total supporting services	13,404,877	-	-	360,553	13,765,430	-	-	13,765,430	11,684,112
Total expenses	68,836,082	1,185,000	-	1,566,019	71,587,101	-	-	71,587,101	71,017,641
Change in net assets before other changes	19,573,513	3,582,548	-	(1,566,019)	21,590,042	660,053	514,955	22,765,050	132,080,297
Gain on sale of property	-	-	-	9,074,427	9,074,427	-	-	9,074,427	-
Expected loss on disposal of property	-	-	-	(3,930,459)	(3,930,459)	-	-	(3,930,459)	-
Transfers	15,491,543	-	-	(15,491,543)	-	-	-	-	-
Gain (loss) on foreign currency translation	141,444	-	-	-	141,444	-	-	141,444	(90,448)
Change in net assets	35,206,500	3,582,548	-	(11,913,594)	26,875,454	660,053	514,955	28,050,462	131,989,849
Net assets - beginning of year	56,040,954	100,000,000	50,000,000	53,246,020	259,286,974	46,767,614	9,813,737	315,868,325	183,878,476
Net assets - end of year	\$ 91,247,454	\$ 103,582,548	\$ 50,000,000	\$ 41,332,426	\$ 286,162,428	\$ 47,427,667	\$ 10,328,692	\$ 343,918,787	\$ 315,868,325

The accompanying notes are an integral part of this consolidated financial statement.

**JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC.
AND AFFILIATES**

Consolidated Statement of Functional Expenses

For the year ended September 30, 2016, with summarized comparative totals for the year ended September 30, 2015

	Program Services				Supporting Services				Total 2016	Total 2015
	Israel Projects	Education	Missions and Scholarships	Total	Management and General	Donor Development and Fund Raising	Direct Cost of Special Events	Total		
Salaries	\$ 3,965,810	\$ 5,510,473	\$ 2,757,609	\$ 12,233,892	\$ 3,045,491	\$ 3,291,785	\$ -	\$ 6,337,276	\$ 18,571,168	\$ 16,285,481
Employee benefits	1,107,792	690,077	804,510	2,602,379	886,454	951,508	-	1,837,962	4,440,341	3,979,769
Total salaries and benefits	5,073,602	6,200,550	3,562,119	14,836,271	3,931,945	4,243,293	-	8,175,238	23,011,509	20,265,250
Advertising	138,596	121,957	102,632	363,185	56,879	85,710	-	142,589	505,774	852,688
Catering and facility rental	-	-	-	-	-	-	2,804,045	2,804,045	2,804,045	1,884,790
Conferences and education	6,080	44,133	2,424,479	2,474,692	269,291	3,726	-	273,017	2,747,709	210,189
Depreciation and amortization	505,923	633,960	65,583	1,205,466	163,805	196,748	-	360,553	1,566,019	1,290,796
Dues and subscriptions	58,363	13,515	9,869	81,747	15,621	10,440	-	26,061	107,808	71,781
Equipment and leases	86,660	34,544	41,332	162,536	44,802	50,549	-	95,351	257,887	360,138
Insurance	159,713	98,039	22,680	280,432	65,354	32,890	-	98,244	378,676	334,205
Meetings	94,049	121,077	102,839	317,965	71,877	98,298	-	170,175	488,140	330,196
Missions	111,807	257,207	1,154,242	1,523,256	110,051	3,346	-	113,397	1,636,653	1,202,438
Postage, delivery and messenger	409,447	446,242	138,738	994,427	139,679	460,027	-	599,706	1,594,133	1,326,929
Printing	435,254	534,754	383,453	1,353,461	171,250	515,118	-	686,368	2,039,829	1,725,621
Professional fees	1,617,594	278,036	182,292	2,077,922	520,796	336,454	-	857,250	2,935,172	3,176,672
Real estate taxes, bank fees and miscellaneous	412,274	256,356	59,703	728,333	192,330	145,021	-	337,351	1,065,684	798,819
Rent, security and maintenance	707,665	2,470,491	305,264	3,483,420	326,352	340,821	-	667,173	4,150,593	3,949,358
Speaker/honorarium fees and promotions	131,578	88,370	174,456	394,404	89,704	136,366	-	226,070	620,474	454,768
Stipends and sponsorships	434,738	58,663	25,455	518,856	4,034	6,523	-	10,557	529,413	465,698
Supplies	114,829	48,742	59,177	222,748	48,139	55,834	-	103,973	326,721	268,649
Telephone	185,053	71,812	137,159	394,024	79,564	90,100	-	169,664	563,688	540,687
Transfers for Israel projects	23,706,720	-	-	23,706,720	-	-	-	-	23,706,720	30,108,394
Travel	338,773	1,765,857	255,796	2,360,426	238,852	225,925	-	464,777	2,825,203	2,893,490
Utilities	74,172	253,507	13,701	341,380	173,106	14,810	-	187,916	529,296	390,875
Total functional expenses	34,802,890	13,797,812	9,220,969	57,821,671	6,713,431	7,051,999	2,804,045	16,569,475	74,391,146	72,902,431
Less: cost of direct benefits to donors for special events	-	-	-	-	-	-	(2,804,045)	(2,804,045)	(2,804,045)	(1,884,790)
Total expenses reported by function	\$ 34,802,890	\$ 13,797,812	\$ 9,220,969	\$ 57,821,671	\$ 6,713,431	\$ 7,051,999	\$ -	\$ 13,765,430	\$ 71,587,101	\$ 71,017,641

The accompanying notes are an integral part of this consolidated financial statement.

JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC. AND AFFILIATES

Consolidated Statement of Cash Flows

For the year ended September 30, 2016, with summarized comparative totals for the year ended
September 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 28,050,462	\$ 131,989,849
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,566,019	1,290,796
Realized and unrealized (gains) loss on investments and investments held under split-interest agreements	(7,502,840)	5,906,813
Permanently restricted contributions and bequests	(505,000)	(5,221,804)
Contributions from split-interest agreements	(4,370,302)	(1,951,303)
Change in value of split-interest agreements	2,149,444	2,374,685
Change in discount allowance on contributions receivable	(140,811)	567,546
Bad debt expense	88,775	78,952
Gain on sale of property, net of expected loss on disposal	(5,143,968)	-
Donated investments and property - John and Dora Boruchin Trust	-	(134,198,804)
Changes in assets and liabilities		
Contributions receivable	(643,164)	(2,378,895)
Prepaid expenses and other assets	(522,625)	(916,984)
Accounts payable and accrued expenses	(59,052)	1,159,494
Accrued payroll and related liabilities	188,170	63,330
Deferred revenue	473,114	(247,597)
Grants payable	(8,250,988)	8,624,217
Net cash provided by operating activities	5,377,234	7,140,295
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(237,637,429)	(143,327,271)
Proceeds from sale of investments	219,261,391	141,087,319
Proceeds from sale of property	17,274,427	-
Purchase of fixed assets	(3,311,190)	(8,907,011)
Net cash used in investing activities	(4,412,801)	(11,146,963)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions and bequests	905,000	721,804
Proceeds from contributions restricted for split-interest agreements	9,896,878	4,925,972
Payments to annuitants of split-interest agreements	(5,545,845)	(5,752,108)
Net cash provided by (used in) financing activities	5,256,033	(104,332)
Net increase (decrease) in cash and cash equivalents	6,220,466	(4,111,000)
Cash and cash equivalents - beginning of year	14,225,737	18,336,737
Cash and cash equivalents - end of year	\$ 20,446,203	\$ 14,225,737
Supplemental disclosure of noncash activities:		
Accounts payable for construction projects	\$ -	\$ 1,088,849

The accompanying notes are an integral part of this consolidated financial statement.

**JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC.
AND RELATED ORGANIZATION**
Notes to Consolidated Financial Statements
September 30, 2016 and 2015

1. NATURE OF ORGANIZATION

Jewish National Fund (Keren Kayemeth LeIsrael), Inc. (“JNF”) is a not-for-profit corporation, founded in 1901 and incorporated in the United States in 1926, that is devoted to promoting and furthering the cultural, physical, social, medical, agricultural and general welfare of the people of Israel. JNF invests its efforts in seven action areas including forestry and ecology, water management, community development, security roads, education, research and development and tourism and recreation. JNF is also involved in Israel advocacy and education throughout the United States. Israeli projects are primarily carried out by our agent in Israel, Keren Kayemeth LeIsrael (“KKL”), and other JNF board-approved, select Israeli not-for-profit organizations. JNF consists of its national and zone offices throughout the country. The accompanying financial statements include the accounts of the national headquarters and all of the zone offices.

JNF is a Section 501(c)(3) not-for-profit organization and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the “Code”). JNF has been classified as a publicly supported organization as described in Section 509(a)(1) of the Code. JNF is also exempt from state and local income taxes. Jewish National Fund and JNF are registered trademarks of the organization with the U.S. Patent and Trademark Office since April 2002.

Beyachad Fund (R.A.) is an Israeli not-for-profit organization (Amuta) that is organized to provide support to and develop areas in Israel. JNF is related to the Beyachad Fund through board control.

On January 30, 2014, Alexander Muss Institute for Israel Education, Inc.’s (“AMIIE”) by-laws were amended and restated effective January 1, 2014 authorizing the JNF Board of Directors to appoint all members of the AMIIE Board of Governors.

AMIIE provides an Israel educational experience to students. This experience brings 4,000 years of Israel’s history to life. AMIIE d/b/a Alexander Muss High School in Israel, or AMHSI, is a Section 501(c)(3) Florida not-for-profit organization registered to do business in New York and is exempt from federal income taxes under Section 501(a) of the Code. AMIIE is also exempt from state and local income taxes. JNF is related to AMIIE through board control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of JNF (which include the accounts of the national headquarters and all of the zone offices), AMIIE and Beyachad Fund (R.A.), are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). All inter-company transactions have been eliminated in consolidation.

Net Assets

JNF’s consolidated financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets based upon the existence or absence of donor imposed restrictions, as follows:

**JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC.
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Notes to Consolidated Financial Statements
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Unrestricted net assets - include funds that have not been restricted by an outside donor and are therefore available for use in carrying out the general operations of JNF. Unrestricted net assets may be designated for specific purposes by actions of the Board of Directors.

Included in unrestricted board designated net assets is the The Boruchin Israel Education Advocacy Center (the "Center") fund. The Center was created during fiscal 2015 with a \$100 million allocation of funds received from the John and Dora Boruchin Trust that were designated by the JNF Board of Directors. The Center will provide programming, funding, and fundraising. Among other programs this will include scholarships, JNF Future Leadership Institute, Zionist teacher training programs, JNF Israel Advocacy Department activities including Spring Break, Birthright, and Caravan for Democracy, Faculty Fellowship, and additional educational initiatives. The Center fund is structured in such a manner as to distribute no more than \$5 million annually or 5% of the Center's assets, as revalued each year on January 1st, whichever is greater. Any use of the Center's core assets other than previously stated, or a change in its mission can only be determined and approved by a majority vote of JNF's Board of Directors. During the year ended September 30, 2016, the JNF Board approved an appropriation of \$1,185,000 from the Center fund.

During fiscal 2015, JNF Board designated another fund (the "JNF Initiatives Fund") with a \$50 million allocation from the John and Dora Boruchin Trust. Income from this fund can be used towards general operating costs of the organization as well as special projects and new initiatives that may not have originally been budgeted by the organization. This will allow for creativity and innovative ideas within JNF.

Temporarily restricted net assets - include funds that have been restricted by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of JNF pursuant to those stipulations (see Note 11). When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period, such amounts are reported as part of unrestricted net assets.

Permanently restricted net assets - include funds whereby donors have stipulated that the corpus contributed be invested and maintained in perpetuity. Income earned is generally available for expenditure according to donor-imposed restrictions, if any (see Notes 11 and 12).

Cash and Cash Equivalents

JNF considers highly liquid financial instruments with original maturities of three months or less from the date or purchase, other than those held in JNF's investment portfolio, to be cash equivalents.

Investments

Investments in equity securities with readily determined fair values and all debt securities are recorded at fair value determined on the basis of quoted market prices. Investments in mutual funds, which are primarily invested in publicly traded securities, are carried at fair value as determined on the basis of quoted market prices. Investments in non-exchange traded limited partnerships, hedge funds and similar interests are recorded at net asset value ("NAV") per share as a practical expedient to fair value as determined by the respective limited partnership, hedge fund or fund manager. Investments in precious coins and medals and real estate are carried at their fair value, which is based on the latest appraised value available.

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Notes to Consolidated Financial Statements
September 30, 2016 and 2015

Investment transactions are reported on a trade-date basis. Realized gains and losses are determined on the basis of specific identification. Unrealized gains or losses are determined by comparing cost to fair value at the beginning and end of each year. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations.

Fair Value Measurements

JNF follows guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by JNF. JNF considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to JNF's perceived risk of that instrument.

JNF's policy is to recognize transfers in and transfers out of levels at the end of each respective reporting period.

**JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC.
AND RELATED ORGANIZATION**
Notes to Consolidated Financial Statements
September 30, 2016 and 2015

Tuition and Fees/Deferred Income

Tuition and fees are recognized during the period (i.e. session) to which they pertain. Tuition and fees include payments contributed by third parties to cover tuition and fees shortfalls. The portion of tuition and fees collected in advance is reflected as deferred income until earned, which is generally within one year.

Contributions

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged at their net realizable value. Unconditional promises to give, which are to be received after one year, are discounted using an appropriate discount rate (credit adjusted) commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are charged to bad debt when they are deemed to be uncollectible based upon a periodic review of the accounts by management. JNF writes off any amounts that are no longer considered to be recoverable, and any payments subsequently received on such receivables are recorded as income in the period received.

Contributions with purpose or time restrictions are reported as increases in temporarily restricted net assets and subsequently released when the restrictions on which they depend are met. Contributions subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in permanently restricted net assets.

Conditional promises to give and intentions to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Split-Interest Agreements

JNF holds assets under split-interest agreements consisting of pooled life income funds, charitable remainder trusts and charitable gift annuities for which JNF serves as the trustee. Such agreements provide for payments to the donors or their stipulated beneficiaries of either income earned on related investments or specified annuity amounts. Assets held under these agreements are reported as investments held under split-interest agreements on the consolidated balance sheet. A portion of the contributed assets is considered to be a charitable contribution for income tax purposes and has been recognized as a contribution at the date of gift. When the terms of the gift instrument have been met, the remaining amount of the gift may be used for general or specific purposes as stipulated by the respective donor.

Under JNF's charitable remainder trusts and charitable gift annuities programs where JNF is the trustee, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or beneficiaries, as long as they live, after which time the remaining assets, if any, are available for the unrestricted use of JNF unless as otherwise stipulated by the donor. Under JNF's pooled life income funds program, the difference between the fair value of the assets when received and the revenue recognized is recorded as an obligation, representing the amount of the discount for future interest, on the consolidated balance sheet. Upon termination of a life interest, the share of the corpus attributable to the life tenant becomes available to JNF. Changes in the life expectancy of the donor or beneficiary,

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amortization of the discount, and other changes in the estimates of future payments are reported as change in value of split-interest agreements on the consolidated statement of activities.

Beneficial Interest in Trusts Held By Others

Donors have established and funded trusts which are administered by organizations other than JNF. Under the terms of these trusts, JNF has the irrevocable right to receive all or a portion of the income earned on the trust assets either in perpetuity or for the life of the trust. JNF does not control the assets held by outside trusts. The value of the beneficial interest is estimated by discounting the estimated future cash flows using a risk-adjusted interest rate.

Fixed Assets

Fixed assets are recorded at cost if purchased or, if donated, at the fair value on the date received. Acquisitions of property and equipment over \$2,500 with a useful life of greater than one year are capitalized in the year acquired. Maintenance and repairs are expensed as incurred. Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets which range from 3 to 40 years.

Impairment of Long-Lived Assets

Long-lived assets, including land, buildings, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment charge is recognized. An impairment loss is measured as the amount by which the long-lived asset (or asset group) exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Grants (transfers for Israel projects) and Grants Payable

Grants are recorded as expenses in the year in which they are awarded, including multi-year awards, which are discounted to present value. The discounts on these amounts are computed using an appropriate discount rate (credit adjusted) applicable to the years in which the promises are made. During fiscal 2016, there were no multi-year awards granted by JNF.

Advertising Expense

Advertising, consisting primarily of the cost of publications, public awareness and literature, is recorded as expense in the period incurred. Advertising expense was approximately \$506,000 and \$853,000 for the years ended September 30, 2016 and 2015, respectively.

Functional Allocation of Expenses

Direct expenses are assigned to the various programs and supporting services based upon actual costs incurred. Indirect expenses are allocated to the various programs and supporting services based upon various allocation factors, including square footage occupied, number of employees or salaries.

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Foreign Currency Translation

Assets and liabilities denominated in New Israeli Shekels (NIS), are translated to U.S. Dollars (USD) using the exchange rate in effect at the date of the consolidated balance sheet. Revenues, expenses, gains and losses are translated using the average exchange rate for the year. Gains or losses on foreign currency translation are recognized in the accompanying consolidated financial statements.

Concentrations of Credit Risk

Cash, cash equivalents and investments are exposed to various risks, such as interest rate, market and credit. To minimize such risks, JNF has a diversified investment portfolio in a variety of asset classes managed by an independent investment manager. JNF's cash, cash equivalents and investments are placed with high credit quality financial institutions. JNF regularly evaluates its investments including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying consolidated financial statements can vary substantially from year to year. JNF maintains its cash in various bank deposit accounts that, at times, may exceed federally insured limits; however, JNF does not anticipate nonperformance by these financial institutions.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, prepaid expenses and other assets, accounts payable and accrued expenses and accrued payroll and related liabilities approximate fair value due to the short-term nature of these financial instruments. The carrying amounts of JNF's investments and investments held under split-interest agreements approximate fair value. The carrying value of contributions receivable is estimated based on the present value of expected future cash flows, and thus approximates fair value. The value of obligations due under split-interest agreements is based upon actuarial assumptions utilizing the required rate of return as of the original date of gift.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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. The more significant estimates include the valuation of real estate and non-exchange traded alternative investments, the collection of contributions receivable and obligations under and residual interests pertaining to split-interest agreements. Actual results could differ from those estimates.

Income Taxes

JNF follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

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JNF is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. JNF has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. As of September 30, 2016, JNF has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Reclassifications

Certain 2015 consolidated financial statement amounts have been reclassified to conform to the 2016 consolidated financial statement presentation. Such changes had no effect on total assets, liabilities, or net assets as previously reported.

Subsequent Events

JNF evaluated its September 30, 2016 consolidated financial statements for subsequent events through June 30, 2017, the date the consolidated financial statements were available to be issued. JNF is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements, except as disclosed in Note 6.

3. INVESTMENTS

As of September 30, 2016 and 2015, JNF's investments, by level within the fair value hierarchy, consist of the following:

	2016				Total
	Level 1	Level 2	Level 3	Net Asset Value*	
Cash and cash equivalents	\$ 50,990,088	\$ -	\$ -	\$ -	\$ 50,990,088
Common and preferred stock	42,569,999	1,041,200	-	-	43,611,199
Equity mutual funds	39,987,277	-	-	-	39,987,277
Fixed income mutual funds	27,913,054	-	-	-	27,913,054
Exchange traded funds	13,723,308	-	-	-	13,723,308
Corporate bonds	-	10,898,850	-	-	10,898,850
Municipal bonds	-	31,521,697	-	-	31,521,697
U.S. government securities	-	2,358,717	-	-	2,358,717
Certificates of deposit	-	677,335	-	-	677,335
Real estate	-	-	1,417,710	-	1,417,710
Limited partnerships	-	-	569,741	4,648,853	5,218,594
Hedge funds	-	-	-	5,334,583	5,334,583
Funds managed by GMJF	-	-	110,589	-	110,589
Precious medals and coins	-	-	193,510	-	193,510
	<u>\$ 175,183,726</u>	<u>\$ 46,497,799</u>	<u>\$ 2,291,550</u>	<u>\$ 9,983,436</u>	<u>233,956,511</u>
State of Israel bonds					3,352,817
Due from broker					192,589
Total investments					<u>\$ 237,501,917</u>

* In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

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	2015				Total
	Level 1	Level 2	Level 3	Net Asset Value*	
Cash and cash equivalents	\$ 29,212,900	\$ -	\$ -	\$ -	\$ 29,212,900
Common and preferred stock	20,613,531	1,123,385	-	-	21,736,916
Equity mutual funds	25,976,473	-	-	-	25,976,473
Fixed income mutual funds	32,259,662	-	-	-	32,259,662
Exchange traded funds	25,214,862	-	-	-	25,214,862
Corporate bonds	-	10,765,526	-	-	10,765,526
Municipal bonds	-	56,083,620	-	-	56,083,620
U.S. government securities	-	943,006	-	-	943,006
Certificates of deposit	-	220,691	-	-	220,691
Real estate	-	-	1,417,710	-	1,417,710
Limited partnerships	-	-	818,524	4,258,619	5,077,143
Hedge funds	-	-	-	5,174,509	5,174,509
Funds managed by GMJF	-	-	105,542	-	105,542
Precious medals and coins	-	-	193,510	-	193,510
	<u>\$ 133,277,428</u>	<u>\$ 69,136,228</u>	<u>\$ 2,535,286</u>	<u>\$ 9,433,128</u>	214,382,070
State of Israel bonds					2,832,129
Other assets					1,322,018
Total investments					<u>\$ 218,536,217</u>

* In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

JNF uses, as a practical expedient for fair value, a reported NAV per share or its equivalent for purposes of valuing certain alternative investments within its investment portfolio as of September 30, 2016 and 2015, as detailed below.

2016							
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Hedge funds	Achieve capital appreciation through direct and indirect investments in securities, derivative instruments and commodities.	1	\$ 5,334,583	As determined by the respective fund manager	\$ -	Annual with 90 days notice	None
Limited partnerships	Achieve capital appreciation through direct and indirect investments in domestic and international equity and fixed income securities.	5	4,648,853	As determined by the respective fund manager	-	2 funds are quarterly with 60 days; 1 fund is monthly with 15 days notice; 1 fund is quarterly with 90 days notice; and 1 fund is annual with 90 days notice	None
Total		6	\$ 9,983,436		\$ -		

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2015							
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Hedge funds	Achieve capital appreciation through direct and indirect investments in securities, derivative instruments and commodities.	1	\$ 5,174,509	As determined by the respective fund manager	\$ -	Annual with 90 days notice	None
Limited partnerships	Achieve capital appreciation through direct and indirect investments in domestic and international equity and fixed income securities.	5	4,258,619	As determined by the respective fund manager	-	2 funds are quarterly with 60 days; 1 fund is monthly with 15 days notice; 1 fund is quarterly with 90 days notice; and 1 fund is annual with 90 days notice	None
Total		6	\$ 9,433,128		\$ -		

The table below sets forth a summary of changes in fair value of the Level 3 assets for the years ended September 30, 2016 and 2015:

	Precious Coins and Medals	Real Estate	Limited Partnerships	Funds Managed by GMJF*	Total
Balance October 1, 2014	\$ 193,510	\$ 17,710	\$ 818,524	\$ 107,928	\$ 1,137,672
Purchases/contributions	-	1,400,000	-	5,000	1,405,000
Sales/withdrawals	-	-	-	(5,395)	(5,395)
Net appreciation (depreciation)	-	-	-	(1,991)	(1,991)
Balance September 31, 2015	193,510	1,417,710	818,524	105,542	2,535,286
Purchases/contributions	-	-	-	5,000	5,000
Sales/withdrawals	-	-	(219,500)	(5,277)	(224,777)
Net appreciation (depreciation)	-	-	(29,283)	5,324	(23,959)
Balance September 31, 2016	<u>\$ 193,510</u>	<u>\$ 1,417,710</u>	<u>\$ 569,741</u>	<u>\$ 110,589</u>	<u>\$ 2,291,550</u>

* Consist of investments pooled and managed by Greater Miami Jewish Federation (“GMJF”) for which AMIIE has an interest in.

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Investment return for the years ended September 30, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 8,347,400	\$ 5,743,075
Investment expenses and fees	(1,840,636)	(821,357)
Realized and unrealized gains (loss)	<u>7,502,840</u>	<u>(5,906,813)</u>
Total return on investments	<u>\$ 14,009,604</u>	<u>\$ (985,095)</u>

4. SPLIT-INTEREST AGREEMENTS

JNF is the beneficiary or agent for a third-party beneficiary of a number of split-interest agreements with donors. Certain agreements provide that JNF hold the contributed assets as trustee, e.g., pooled income funds and charitable remainder trusts, while other agreements are part of the general assets of JNF, e.g., charitable gift annuities. Under both forms of agreement, JNF invests the donated assets and distributes to the donor or donor's designee income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or donor's designee). JNF will be able to utilize that part of the gift in which it has an interest upon the death of the respective life income beneficiary and will distribute to any third-party beneficiaries their respective remainder interests.

At the time of the gift, and adjusted annually, JNF records contribution income and a liability for amounts payable to annuitants and third-party beneficiaries using an actuarial calculation based on estimated mortality rates and other assumptions that could change in the near term. The discount rates used in the calculation of obligations due to annuitants under split-interest agreements at September 30, 2016 and 2015 ranged from 1.2% to 11.6%. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

At September 30, 2016 and 2015, assets held for split-interest agreements are as follows:

	<u>2016</u>	<u>2015</u>
Charitable gift annuities	\$ 57,168,621	\$ 53,205,495
Charitable remainder trusts	18,442,368	15,517,277
Pooled life income funds	<u>897,640</u>	<u>897,184</u>
	<u>\$ 76,508,629</u>	<u>\$ 69,619,956</u>

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At September 30, 2016 and 2015, obligations due under split-interest agreement are as follows:

	<u>2016</u>	<u>2015</u>
Charitable gift annuities	\$ 29,278,402	\$ 28,234,630
Charitable remainder trusts	8,840,128	7,737,547
Pooled life income funds	<u>346,098</u>	<u>362,276</u>
	<u>\$ 38,464,628</u>	<u>\$ 36,334,453</u>

As of September 30, 2016 and 2015, JNF's investments held under split-interest agreements, by level within the fair value hierarchy, consist of the following:

	<u>2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,892,657	\$ -	\$ -	\$ 7,892,657
Common and preferred stock	8,779,565	298,210	-	9,077,775
Equity mutual funds	2,408,544	-	-	2,408,544
Fixed income mutual funds	22,206,209	-	-	22,206,209
Exchange traded funds	24,292,220	-	-	24,292,220
Corporate bonds	-	1,527,425	-	1,527,425
Municipal bonds	-	535,620	-	535,620
U.S. government securities	-	4,959,690	-	4,959,690
Annuities	-	1,565,996	-	1,565,996
Real estate	<u>-</u>	<u>-</u>	<u>1,400,000</u>	<u>1,400,000</u>
	<u>\$ 65,579,195</u>	<u>\$ 8,886,941</u>	<u>\$ 1,400,000</u>	75,866,136
Notes receivable				<u>642,493</u>
Total investments held under split-interest agreements				<u>\$ 76,508,629</u>

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	2015				
	Level 1	Level 2	Level 3	Net Asset Value*	Total
Cash and cash equivalents	\$ 2,020,989	\$ 51,638	\$ -	\$ -	\$ 2,072,627
Common and preferred stock	14,921,161	276,681	-	-	15,197,842
Equity mutual funds	15,086,920	-	-	-	15,086,920
Fixed income mutual funds	27,531,427	-	-	-	27,531,427
Exchange traded funds	357,182	-	-	-	357,182
Corporate bonds	-	1,045,616	-	-	1,045,616
Municipal bonds	-	631,845	-	-	631,845
U.S. government securities	-	3,589,743	-	-	3,589,743
Annuities	-	779,104	-	-	779,104
Real estate	-	-	1,400,000	-	1,400,000
Limited partnership	-	-	-	1,218,645	1,218,645
	<u>\$ 59,917,679</u>	<u>\$ 6,374,627</u>	<u>\$ 1,400,000</u>	<u>\$ 1,218,645</u>	68,910,951
Notes receivable					<u>709,005</u>
Total investments held under split-interest agreements					<u>\$ 69,619,956</u>

* In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

JNF uses, as a practical expedient for fair value, a reported NAV per share or its equivalent for purposes of valuing certain alternative investments within its investment held under split-interest agreements portfolio as of September 30, 2015, as detailed below.

2015							
Alternative Investment Type	Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Limited partnership	Generate attractive returns over the long-term by investing in a European and European-related publicly listed securities	1	\$ 1,218,645	As determined by the respective fund manager	\$ -	Weekly with 10 days notice	None

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5. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, at September 30, 2016 and 2015, are expected to be collected as follows:

	<u>2016</u>	<u>2015</u>
Past due and less than one year	\$ 21,667,554	\$ 20,522,029
One to five years	11,889,750	11,900,996
Five years and greater	<u>5,274,915</u>	<u>6,166,030</u>
	38,832,219	38,589,055
Less: discount to present value (at rates ranging from 0.8% - 5.3%)	(866,279)	(1,007,090)
Less: allowance for doubtful accounts	<u>(6,406,117)</u>	<u>(6,317,342)</u>
	<u>\$ 31,559,823</u>	<u>\$ 31,264,623</u>

JNF has been notified of certain intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. JNF's share of such bequests is recorded when JNF has an irrevocable right to the bequest and the proceeds are measurable.

6. FIXED ASSETS, NET AND PROPERTY HELD FOR SALE

At September 30, 2016 and 2015, fixed assets, net, and property held for sale consists of the following:

	<u>2016</u>	<u>2015</u>
Buildings and building improvements	\$ 28,994,254	\$ 11,217,967
Furniture, fixtures, vehicles and equipment	<u>8,885,605</u>	<u>8,485,286</u>
	37,879,859	19,703,253
Less: accumulated depreciation	<u>(14,124,177)</u>	<u>(12,665,776)</u>
	23,755,682	7,037,477
Land	11,496,766	21,787,203
Construction-in-progress	<u>-</u>	<u>16,061,883</u>
Total fixed assets, net	<u>\$ 35,252,448</u>	<u>\$ 44,886,563</u>
Property held for sale	<u>\$ 6,079,978</u>	<u>\$ 7,920,000</u>

Construction-in-progress represents costs incurred for renovations to JNF's headquarters building located at 42 East 69th Street in New York and was completed in fiscal 2016.

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During fiscal 2015, JNF entered into an agreement to sell a parcel of vacant property located in Fontana, California for approximately \$17 million and accordingly, this asset was classified as property held for sale as of September 30, 2015. In January 2016, JNF closed on the sale which resulted in a gain of approximately \$9 million and is included as gain on sale of property on the accompanying consolidated statement of activities.

During fiscal 2016, JNF entered into an agreement to sell parcels of vacant property located in San Bernardino, California and Bloomington, California for approximately \$3.1 million and \$1.8 million, respectively. The sales closed in December 2016 and March 2017, respectively. JNF has recorded an expected loss on disposal of approximately \$1.8 million on the accompanying consolidated statement of activities. As of September 30, 2016, these properties, totaling \$4.5 million, have been classified as property held for sale in JNF's accompanying consolidated statement of financial position.

During fiscal 2016, JNF listed a vacant property for sale located in San Jacinto, California that is expected to close in fiscal 2017. JNF has recorded an expected loss on disposal of approximately \$1.6 million on the accompanying consolidated statement of activities. As of September 30, 2016, this property has been classified as property held for sale in JNF's accompanying consolidated statement of financial position.

7. COMMITMENTS

JNF occupies certain of its zone and community offices under sublease agreements that expire through December 2020. Under the terms of the subleases, JNF pays annual base rents and building operating expenses based on its pro rata share of the space occupied.

At September 30, 2016, future minimum (base) lease payments are as follows:

2017	\$ 705,792
2018	524,830
2019	404,564
2020	404,497
2021	45,858
	<u>\$ 2,085,541</u>

Total rent expense for the years ended September 30, 2016 and 2015 was approximately \$830,000 and \$1,006,000, respectively.

8. DEFINED CONTRIBUTION PLAN

JNF sponsors a 403(b) plan which covers substantially all of its employees. The plan is funded through voluntary contributions by participants, JNF's matching contributions and/or a formula-based JNF contribution based on each eligible participant's compensation for the plan year. Total pension expense for the years ended September 30, 2016 and 2015 was approximately \$1,014,000 and \$895,000, respectively.

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9. GRANTS PAYABLE, NET

Grants payable, net, at September 30, 2016 and 2015, are expected to be paid as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 10,515,622	\$ 15,864,498
One to five years	5,713,817	8,457,398
More than five years	<u>4,101,683</u>	<u>5,189,017</u>
	20,331,122	29,510,913
Less: discount to present value (at rates ranging from 0.8% - 5.3%)	<u>-</u>	<u>(928,803)</u>
	<u>\$ 20,331,122</u>	<u>\$ 28,582,110</u>

10. RELATED PARTY TRANSACTIONS WITH AMIIE

As described in Note 1, in September 2013, an agreement was entered into between JNF and AMIIE (the "Agreement") that amended AMIIE's by-laws effective January 1, 2014, authorizing JNF's Board of Directors to appoint all members of the AMIIE Board of Governors. The provisions of the Agreement further established the creation of a new \$5 million fund with funds received from the Chair of the AMIIE Board (the "Muss Fund") and a separate matching fund of \$5 million pledged from JNF (the "JNF Fund"). The funds are held and administered by JNF and restricted for the administration and operation of AMHSI for specific purposes as outlined in the Agreement and have been reported as part of temporarily restricted net assets in the accompanying consolidated financial statements.

Because JNF has oversight over AMIIE and holds significant resources that must be used for their benefit, JNF and AMIIE are considered to be financially interrelated under FASB ASC 958-20. In accordance with this guidance, JNF records an asset and contribution revenue when it receives assets from a donor on behalf of AMIIE and AMIIE records its respective interest in the assets of JNF and the changes in its interest using a method similar to the equity method of accounting. As of September 30, 2016 and 2015, AMIIE has recorded a beneficial interest in assets held by JNF of \$12,597,326 and \$10,862,743, respectively, which has been eliminated upon consolidation.

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11. NET ASSETS

Temporarily Restricted Net Assets

At September 30, 2016 and 2015, temporarily restricted net assets were restricted for the following purposes or periods:

	<u>2016</u>	<u>2015</u>
Israel programs	\$ 11,924,607	\$ 14,243,801
Time restricted under split-interest agreements	22,241,394	19,048,754
Time restricted - for periods after September 30	10,177,009	10,369,743
Scholarships	1,864,657	1,859,741
Other	<u>1,220,000</u>	<u>1,245,575</u>
	<u>\$ 47,427,667</u>	<u>\$ 46,767,614</u>

Temporarily restricted net assets were released from restrictions as follows for the years ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Israel programs	\$ 2,235,000	\$ 80,000
Split-interest agreements expired	1,175,992	859,917
Time restriction lapsed	5,707,726	4,680,548
Scholarships	647,168	128,949
Other	<u>335,644</u>	<u>-</u>
	<u>\$ 10,101,530</u>	<u>\$ 5,749,414</u>

Permanently Restricted Net Assets

Permanently restricted net assets consist of assets that have been restricted by donors to be invested in perpetuity to provide a permanent source of income. At September 30, 2016 and 2015, such income was restricted for the following purposes or periods:

	<u>2016</u>	<u>2015</u>
General operations	\$ 3,772,124	\$ 3,772,124
Scholarships	1,254,404	746,563
Special events	5,000,000	5,000,000
Beneficial interest in perpetual trust	<u>302,164</u>	<u>295,050</u>
	<u>\$ 10,328,692</u>	<u>\$ 9,813,737</u>

**JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC.
AND RELATED ORGANIZATION**
Notes to Consolidated Financial Statements
September 30, 2016 and 2015

12. ENDOWMENT FUNDS

General

JNF's endowments consist of individual donor-restricted endowment funds established to support activities of the organization. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The State of New York has enacted the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law. JNF classifies as permanently restricted net assets, unless otherwise stipulated by the donor: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until such amounts are appropriated for expenditure by JNF in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established and the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, JNF considers the following factors in making a determination to appropriate for expenditure or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return on endowment investments; general economic conditions; the possible effects of inflation and deflation; other resources of JNF; and, the investment policy of JNF.

Return Objectives, Strategies Employed and Spending Policy

The primary objective of the endowment in the near term is to preserve the nominal market value of its assets in order to limit realized and unrealized investment losses. The secondary objective of the endowment is to grow the value of its assets at a modest rate to allow for continued support of JNF's operations.

Due to JNF's current financial circumstance, the first priority, in the near term, is to reduce the potential for short-term investment losses. The objective therefore prioritizes short-term stability, risk reduction, and liquidity over long-term capital appreciation. The current investment approach for the endowment is to prioritize capital preservation and liquidity and to limit losses within the portfolio by minimizing its exposure to equities and other investments with the potential for significant losses. With this investment approach, the majority of the endowment's assets are invested in investments that are expected to generate modest returns with lower risk. A smaller portion of the endowment may be invested in asset classes and investment strategies with a higher risk-return profile, as appropriate.

**JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC.
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Notes to Consolidated Financial Statements
September 30, 2016 and 2015

Endowment net asset composition by type of fund as of September 30, 2016 and 2015 is as follows:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted funds	\$ (12,865)	\$ -	\$ 5,926,528	\$ 5,913,663

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted funds	\$ (73,887)	\$ 575	\$ 5,018,687	\$ 4,945,375

Changes in endowment net assets for the year ended September 30, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - September 30, 2014	\$ -	\$ 2,566	\$ 4,302,279	\$ 4,304,845
Investment return:				
Interest and dividends, net	-	234,013	-	234,013
Net realized and unrealized loss	(73,887)	(236,004)	-	(309,891)
Total investment return	(73,887)	(1,991)	-	(75,878)
Contributions	-	-	721,804	721,804
Transfers	-	-	(5,396)	(5,396)
Appropriation of endowment net assets for expenditure - spending policy	-	-	-	-
Endowment net assets - September 30, 2015	(73,887)	575	5,018,687	4,945,375
Investment return:				
Interest and dividends, net	248,930	-	-	248,930
Net realized and unrealized gain	115,459	-	-	115,459
Total investment return	364,390	-	-	364,390
Contributions	-	-	905,000	905,000
Transfers	(10,992)	-	2,841	(8,151)
Appropriation of endowment net assets for expenditure - spending policy	(292,376)	(575)	-	(292,951)
Endowment net assets - September 30, 2016	\$ (12,865)	\$ -	\$ 5,926,528	\$ 5,913,663

**JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC.
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From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires JNF to retain as a fund of permanent duration. In accordance with US GAAP, cumulative deficiencies of this nature that have been charged to unrestricted net assets totaled \$12,865 and \$73,887 at September 30, 2016 and 2015, respectively. Subsequent investment earnings on such funds which restore the fair value of individual endowment funds back to their original corpus value are reported in unrestricted net assets, with earnings in excess of this amount reported in temporarily restricted net assets.

SUPPLEMENTARY INFORMATION

JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC. AND AFFILIATES

Consolidated Statement of Financial Position (excludes AMIIE)

As of September 30, 2016

ASSETS

Cash and cash equivalents	\$ 15,185,039
Property held for sale	6,079,978
Contributions receivable, net	31,487,001
Prepaid expenses and other assets	2,041,092
Investments	237,373,618
Investments held under split-interest agreements	76,508,629
Beneficial interest in trust held by others	658,440
Fixed assets, net	<u>30,196,872</u>
Total assets	<u>\$ 399,530,669</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 2,217,659
Accrued payroll and related liabilities	996,253
Grants payable, net	20,331,122
Obligations due under split-interest agreements	<u>38,464,628</u>

Total liabilities 62,009,662

Commitments

Net assets

Unrestricted	
Operating	126,489,586
Boruchin Israel Education Advocacy Center	103,582,548
JNF Initiatives fund	<u>50,000,000</u>

Total unrestricted 280,072,134

Temporarily restricted	47,241,140
Permanently restricted	<u>10,207,733</u>

Total net assets 337,521,007

Total liabilities and net assets \$ 399,530,669

**JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC.
AND AFFILIATES**
Consolidated Statement of Activities (excludes AMIIE)
For the year ended September 30, 2016

	Unrestricted				Total	Temporarily Restricted	Permanently Restricted	Total 2016
	Operating	Boruchin Israel Education Advocacy Center	JNF Initiatives Fund	Building Fund				
REVENUES, GAINS (LOSSES) AND OTHER SUPPORT								
Contributions	\$ 47,316,781	\$ -	\$ -	\$ -	\$ 47,316,781	\$ 5,234,521	\$ 500,000	\$ 53,051,302
Special events revenue	\$ 8,443,723							
Less direct cost of special events	<u>(2,804,045)</u>							
Net special events revenue	5,639,678	-	-	-	5,639,678	-	-	5,639,678
Bequests	11,578,550	-	-	-	11,578,550	-	-	11,578,550
Contributions from split-interest agreements	-	-	-	-	-	4,370,302	-	4,370,302
Change in value of split-interest agreements	-	-	-	-	-	(2,156,558)	7,114	(2,149,444)
Investment income	6,783,063	4,767,548	-	-	11,550,611	2,451,574	-	14,002,185
Miscellaneous income	571,399	-	-	-	571,399	-	-	571,399
Net assets released from restrictions	<u>9,277,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,277,394</u>	<u>(9,277,394)</u>	<u>-</u>	<u>-</u>
Total revenues, gains (losses) and other support	<u>81,166,865</u>	<u>4,767,548</u>	<u>-</u>	<u>-</u>	<u>85,934,413</u>	<u>622,445</u>	<u>507,114</u>	<u>87,063,972</u>
EXPENSES								
Program services								
Israel projects	34,842,037	925,000	-	-	35,767,037	-	-	35,767,037
Education	5,274,439	260,000	-	-	5,534,439	-	-	5,534,439
Missions and scholarships	<u>9,220,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,220,969</u>	<u>-</u>	<u>-</u>	<u>9,220,969</u>
Total program services	<u>49,337,445</u>	<u>1,185,000</u>	<u>-</u>	<u>-</u>	<u>50,522,445</u>	<u>-</u>	<u>-</u>	<u>50,522,445</u>
Supporting services								
Management and general	6,140,130	-	-	-	6,140,130	-	-	6,140,130
Donor development and fund raising	<u>7,047,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,047,088</u>	<u>-</u>	<u>-</u>	<u>7,047,088</u>
Total supporting services	<u>13,187,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,187,218</u>	<u>-</u>	<u>-</u>	<u>13,187,218</u>
Total expenses	<u>62,524,663</u>	<u>1,185,000</u>	<u>-</u>	<u>-</u>	<u>63,709,663</u>	<u>-</u>	<u>-</u>	<u>63,709,663</u>
Change in net assets before other changes	18,642,202	3,582,548	-	-	22,224,750	622,445	507,114	23,354,309
Gain on sale property	9,074,427	-	-	-	9,074,427	-	-	9,074,427
Expected loss on disposal of property	(3,384,538)	-	-	-	(3,384,538)	-	-	(3,384,538)
Impairment of property	(545,921)	-	-	-	(545,921)	-	-	(545,921)
Transfers	439,457	-	-	(439,457)	-	-	-	-
Gain on foreign currency translation	<u>136,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,628</u>	<u>-</u>	<u>-</u>	<u>136,628</u>
Change in net assets	24,362,255	3,582,548	-	(439,457)	27,505,346	622,445	507,114	28,634,905
Net assets - beginning of year	<u>102,127,331</u>	<u>100,000,000</u>	<u>50,000,000</u>	<u>439,457</u>	<u>252,566,788</u>	<u>46,618,695</u>	<u>9,700,619</u>	<u>308,886,102</u>
Net assets - end of year	<u>\$ 126,489,586</u>	<u>\$ 103,582,548</u>	<u>\$ 50,000,000</u>	<u>\$ -</u>	<u>\$ 280,072,134</u>	<u>\$ 47,241,140</u>	<u>\$ 10,207,733</u>	<u>\$ 337,521,007</u>

**JEWISH NATIONAL FUND (KEREN KAYEMETH LEISRAEL), INC.
AND AFFILIATES**
Consolidated Statement of Functional Expenses (excludes AMIIE)
For the year ended September 30, 2016

	Program Services				Supporting Services				Total 2016
	Israel Projects	Education	Missions and Scholarships	Total	Management and General	Donor Development and Fund Raising	Direct Cost of Special Events	Total	
Salaries	\$ 3,965,810	\$ 2,196,960	\$ 2,757,609	\$ 8,920,379	\$ 2,865,590	\$ 3,291,785	\$ -	\$ 6,157,375	\$ 15,077,754
Employee benefits	1,107,792	608,908	804,510	2,521,210	845,802	951,508	-	1,797,310	4,318,520
Total salaries and benefits	5,073,602	2,805,868	3,562,119	11,441,589	3,711,392	4,243,293	-	7,954,685	19,396,274
Advertising	138,596	63,227	102,632	304,455	56,579	85,710	-	142,289	446,744
Catering and facility rental	-	-	-	-	-	-	2,804,045	2,804,045	2,804,045
Conferences and education	6,080	27,095	2,424,479	2,457,654	269,291	3,274	-	272,565	2,730,219
Depreciation and amortization	505,923	74,952	65,583	646,458	163,805	196,748	-	360,553	1,007,011
Dues and subscriptions	58,363	13,515	9,869	81,747	15,621	10,440	-	26,061	107,808
Equipment and leases	86,660	34,544	41,332	162,536	44,802	50,549	-	95,351	257,887
Insurance	159,713	58,864	22,680	241,257	34,302	32,890	-	67,192	308,449
Meetings	94,049	121,077	102,839	317,965	71,877	98,298	-	170,175	488,140
Missions	111,807	257,207	1,154,242	1,523,256	110,051	3,346	-	113,397	1,636,653
Postage, delivery and messenger	409,447	446,242	138,738	994,427	139,679	460,027	-	599,706	1,594,133
Printing	435,254	534,754	383,453	1,353,461	171,250	515,118	-	686,368	2,039,829
Professional fees	1,617,594	230,413	182,292	2,030,299	479,134	336,454	-	815,588	2,845,887
Real estate taxes, bank fees and miscellaneous	412,274	77,461	59,703	549,438	99,540	145,021	-	244,561	793,999
Rent, security and maintenance	707,665	249,745	305,264	1,262,674	325,143	340,821	-	665,964	1,928,638
Speaker/honorarium fees and promotions	131,578	88,370	174,456	394,404	89,704	136,366	-	226,070	620,474
Stipends and sponsorships	434,738	58,663	25,455	518,856	4,034	6,523	-	10,557	529,413
Supplies	114,829	48,742	59,177	222,748	48,139	55,834	-	103,973	326,721
Telephone	185,053	71,812	137,159	394,024	79,564	90,100	-	169,664	563,688
Transfers for Israel projects	24,670,867	-	-	24,670,867	-	-	-	-	24,670,867
Travel	338,773	239,563	255,796	834,132	160,277	225,925	-	386,202	1,220,334
Utilities	74,172	32,325	13,701	120,198	65,946	10,351	-	76,297	196,495
Total functional expenses	35,767,037	5,534,439	9,220,969	50,522,445	6,140,130	7,047,088	2,804,045	15,991,263	66,513,708
Less: cost of direct benefits to donors for special events	-	-	-	-	-	-	(2,804,045)	(2,804,045)	(2,804,045)
Total expenses reported by function	\$ 35,767,037	\$ 5,534,439	\$ 9,220,969	\$ 50,522,445	\$ 6,140,130	\$ 7,047,088	\$ -	\$ 13,187,218	\$ 63,709,663