

**THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2011**

**THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM**

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## Independent Auditor's Report

**The General Assembly  
and the Board of Directors of  
The United Synagogue of  
Conservative Judaism**

We have audited the accompanying balance sheet of The United Synagogue of Conservative Judaism as of June 30, 2011, and the related statements of activities, expenses and cash flows for the year then ended. These financial statements are the responsibility of The United Synagogue of Conservative Judaism's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The United Synagogue of Conservative Judaism's June 30, 2010 financial statements and, in our report dated November 17, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The United Synagogue of Conservative Judaism's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

November 29, 2011

A handwritten signature in cursive script that reads "Loeb + Troper LLP".

THE UNITED SYNAGOGUE OF CONSERVATIVE JUDAISM

EXHIBIT A

BALANCE SHEET

JUNE 30, 2011

(With Summarized Financial Information for June 30, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				2011	2010
<b>ASSETS</b>					
Cash and cash equivalents		\$ 4,615,291	\$ 1,158,407	\$ 5,773,698	\$ 6,025,591
Certificates of deposit	\$ 2,025,940			2,025,940	
Investments (Note 3)	155,356	4,144,814	25,809	4,325,979	6,277,751
Dues receivable	532,473			532,473	527,776
Accounts and other receivables - net	585,167			585,167	680,877
Prepaid expenses - program	1,182,558			1,182,558	1,523,553
Contributions and grants receivable - net (Note 6)		515,526		515,526	731,748
Inventory	93,765			93,765	89,411
Land, building and equipment - net (Note 4)	30,164,730			30,164,730	31,185,273
Other assets	5,158	5,240		10,398	7,895
Interfund receivable (payable)	5,464,118	(5,464,118)			
Total assets	<u>\$ 40,209,265</u>	<u>\$ 3,816,753</u>	<u>\$ 1,184,216</u>	<u>\$ 45,210,234</u>	<u>\$ 47,049,875</u>

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THE UNITED SYNAGOGUE OF CONSERVATIVE JUDAISM

EXHIBIT A

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BALANCE SHEET

JUNE 30, 2011

(With Summarized Financial Information for June 30, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2011</u>	<u>2010</u>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities					
Accounts payable and accrued expenses	\$ 1,792,088	\$ 860,718		\$ 2,652,806	\$ 2,177,411
Accrued salaries, vacations and benefits	1,070,709			1,070,709	573,875
Advance deposits	3,599,422	100,739		3,700,161	3,830,563
	<u>6,462,219</u>	<u>961,457</u>		<u>7,423,676</u>	<u>6,581,849</u>
Total liabilities					
Net assets (Exhibit B)					
Unrestricted (Note 8)	33,747,046			33,747,046	36,435,023
Temporarily restricted (Note 8)		2,855,296		2,855,296	2,797,831
Permanently restricted (Note 8)			\$ 1,184,216	1,184,216	1,235,172
	<u>33,747,046</u>	<u>2,855,296</u>	<u>1,184,216</u>	<u>37,786,558</u>	<u>40,468,026</u>
Total net assets					
Total liabilities and net assets	<u>\$ 40,209,265</u>	<u>\$ 3,816,753</u>	<u>\$ 1,184,216</u>	<u>\$ 45,210,234</u>	<u>\$ 47,049,875</u>

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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, 2011  
(With Summarized Financial Information  
for the Year Ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2011	2010
Revenues, gains and other support					
Contributions (includes calendar contributions of \$661,278 in 2011)	\$ 987,087	\$ 1,480,209		\$ 2,467,296	\$ 3,112,470
Membership dues	8,453,449			8,453,449	8,727,189
Program revenue	9,990,910			9,990,910	9,776,288
Biennial convention					302,681
Books and publications	2,181,260			2,181,260	3,125,287
Investment income (Note 3)	141,702	10,356		152,058	118,625
Miscellaneous revenue	3,344			3,344	2,411
Net assets released from restrictions (Note 8)					
Satisfaction of program restrictions	1,472,225	(1,472,225)			
Satisfaction of capital acquisition restrictions	11,831	(11,831)			
<b>Total revenues, gains and other support</b>	<b>23,241,808</b>	<b>6,509</b>		<b>23,248,317</b>	<b>25,164,951</b>
Expenses (Exhibit C)					
Program services					
Youth	13,027,711			13,027,711	14,079,729
Books and publications	2,673,591			2,673,591	3,163,086
Education	2,264,135			2,264,135	2,879,615
College age	323,999			323,999	441,733
Other	777,751			777,751	284,787
<b>Total program services</b>	<b>19,067,187</b>			<b>19,067,187</b>	<b>20,848,950</b>
Supporting services					
Management and general - general	2,803,389			2,803,389	3,805,392
Management and general - lease buyout					300,000
Fund raising	1,250,992			1,250,992	1,121,205
<b>Total supporting services</b>	<b>4,054,381</b>			<b>4,054,381</b>	<b>5,226,597</b>
<b>Total expenses</b>	<b>23,121,568</b>			<b>23,121,568</b>	<b>26,075,547</b>

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THE UNITED SYNAGOGUE OF CONSERVATIVE JUDAISM

EXHIBIT B

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STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011  
(With Summarized Financial Information  
for the Year Ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2011	2010
Change in net assets from operations	\$ 120,240	\$ 6,509		\$ 126,749	\$ (910,596)
Depreciation	(1,062,634)			(1,062,634)	(1,072,710)
Change in net assets before nonrecurring activities	(942,394)	6,509		(935,885)	(1,983,306)
Nonrecurring activities					
Transformation expenses	(922,703)			(922,703)	(429,048)
Settlement expense	(822,880)			(822,880)	
Reclassification		50,956	\$ (50,956)		
Change in net assets (Exhibit D)	(2,687,977)	57,465	(50,956)	(2,681,468)	(2,412,354)
Net assets - beginning of year	36,435,023	2,797,831	1,235,172	40,468,026	42,880,380
Net assets - end of year (Exhibit A)	\$ 33,747,046	\$ 2,855,296	\$ 1,184,216	\$ 37,786,558	\$ 40,468,026

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See independent auditor's report.

The accompanying notes are an integral part of these statements.

**THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM**

**STATEMENT OF EXPENSES**

**YEAR ENDED JUNE 30, 2011  
(With Summarized Financial Information  
for the Year Ended June 30, 2010)**

	<u>2011</u>	<u>2010</u>
Salaries	\$ 7,414,961	\$ 7,449,080
Payroll taxes and employee benefits	1,596,322	1,778,624
	<hr/>	<hr/>
Total salaries and related expenses	9,011,283	9,227,704
Grant expense	196,965	1,045,961
Advertising and promotion	103,532	141,124
Dues and subscriptions	15,174	6,935
Insurance	212,566	196,186
Building maintenance	53,196	118,211
Meetings and conferences	188,360	181,165
Equipment rental and repair	216,118	233,147
Occupancy (Note 9)	570,751	954,460
Office supplies	87,772	89,677
Travel and lodging	512,892	430,701
Postage and shipping	453,906	504,627
Printing and publications	325,348	521,351
Professional fees and contract services	533,904	508,098
Program expenses and participant costs	9,063,067	8,881,392
Biennial convention		281,222
Book and publication fulfillment costs	2,125,296	2,811,353
Telephone	213,330	204,339
Depreciation	1,062,634	1,072,710
Settlement expense	822,880	
Miscellaneous	160,811	166,942
	<hr/>	<hr/>
Total expenses (Exhibit B)	\$ <u>25,929,785</u>	\$ <u>27,577,305</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.



THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (2,684,468)	\$ (2,412,354)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	1,062,634	1,072,710
Net realized and unrealized gain on investments	(86,571)	(26,603)
Decrease (increase) in assets		
Dues receivable	(4,697)	341,881
Accounts and other receivables	95,710	(138,275)
Prepaid expenses - program	340,995	214,983
Contributions and grants receivable	216,222	285,915
Inventory	(4,354)	5,794
Other assets	(2,503)	291
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	475,395	327,571
Accrued salaries, vacations and benefits	496,834	(31,868)
Advance deposits	(130,402)	(390,548)
Net cash used by operating activities	<u>(225,205)</u>	<u>(750,503)</u>
Cash flows from investing activities		
Capital expenditures	(30,260)	(70,732)
Construction costs	(11,831)	(25,548)
Purchases of certificates of deposit and investments	(7,957,174)	(12,025,009)
Proceeds from sale of investments	<u>7,969,577</u>	<u>15,003,210</u>
Net cash provided (used) by investing activities	<u>(29,688)</u>	<u>2,881,921</u>
Net increase (decrease) in cash and cash equivalents	(254,893)	2,131,418
Cash and cash equivalents - beginning of year	<u>6,025,591</u>	<u>3,894,173</u>
Cash and cash equivalents - end of year	<u>\$ 5,770,698</u>	<u>\$ 6,025,591</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, 2011

**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 657 affiliated congregations representing approximately one and a half million members. The organization’s Conservative Jewish program encompasses youth, educational and congregational programming.

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

The United Synagogue of Conservative Judaism’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.

*Certificates of deposit* - Certificates of deposit with maturities greater than three months when originally acquired are considered investments for cash flow purposes.

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THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

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.

**Contributions and grants 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.

**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 \$500 or greater, and a useful life of more than one year.

**Advance deposits** - Advance deposits for future programs that are not yet earned are recorded as liabilities until earned.

**Unrestricted, temporarily and permanently restricted net assets** - Unrestricted net assets have no donor-imposed stipulations on their use. In addition, resources which are set aside for board-designated purposes are unrestricted. Temporarily restricted net assets are those whose use by The 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.

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THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Revenues, accounts receivable, grants and other receivables* - Revenues and related receivables are recognized based on programs operated and/or dues expected to be earned in the fiscal year.

*Allowance for doubtful accounts* - The United Synagogue determines whether a grant allowance for doubtful accounts should be provided for dues, contributions, grants and other accounts receivable. Such estimates are based on management's assessment of the aged basis of its receivable, 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. Interest is not charged on outstanding receivables. As of June 30, 2011 and 2010, The United Synagogue had recorded an allowance of \$135,000 on accounts and other receivables, and \$495,000 on contributions and grants receivable.

*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.

*Settlement expense* - The settlement expense relates to costs incurred to settle a litigation.

*Rent* - Rent is expensed on the straight-line basis. As of June 30, 2011, no deferred rent has been recorded.

*Advertising costs* - Advertising costs are expensed as incurred.

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

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THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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, 2008 and subsequent remain subject to examination by applicable taxing authorities.

*Fair Value Measurements and Disclosures*

*Fair Value Measurements and Disclosures* 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, 2011, as compared to those used at June 30, 2010.

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

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THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fair Value Measurements and Disclosures (continued)*

*Mutual funds and dynamic asset allocation overlay* - 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.

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, 2011.

*Results 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 the transformation and settlement expenses.

*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, 2010, from which the summarized information was derived.

*Reclassified presentation* - The transformation expense category for the year ended June 30, 2010 was reclassified from operating to non-operating to conform with the current year's presentation.

*Subsequent events* - Subsequent events have been evaluated through November 29, 2011, 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, 2011**

**NOTE 3 - INVESTMENTS**

Investments, recorded at fair value, are summarized as follows:

	<u>2011</u>	<u>2010</u>
Money market funds	\$ 133,196	\$ 29,079
Certificates of deposit		6,025,813
Mutual funds		
Fixed income	886,093	24,641
Equity	686,891	194,718
International	154,031	
Global real estate	102,186	
Fixed income - corporate bonds	867,699	
Equities		
Basic materials	139,835	
Consumer goods	196,016	
Financial	25,074	
Healthcare	105,162	
Industrial goods	150,597	
Services	32,344	
Technology	138,343	
Utilities	57,395	
State of Israel bonds	1,500	3,500
Exchange traded fund	50,525	
Dynamic asset allocation overlays		
Overlay A - equity-oriented asset allocation	236,560	
Overlay B - fixed income-oriented asset allocation	<u>362,532</u>	
	<u>\$ 4,325,979</u>	<u>\$ 6,277,751</u>

Investment income consists of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 65,487	\$ 92,022
Unrealized and realized gain on investments	<u>86,571</u>	<u>26,603</u>
	<u>\$ 152,058</u>	<u>\$ 118,625</u>

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THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 3 - INVESTMENTS (continued)**

The following table sets forth by level and type, within the fair value hierarchy, the assets at fair value as of June 30, 2011:

	Level 1	Level 2	Total
Money market funds	\$ 133,196		\$ 133,196
Mutual funds			
Fixed income	886,093		886,093
Equity	686,891		686,891
International	154,031		154,031
Global real estate	102,186		102,186
Fixed income - corporate bonds	867,699		867,699
Equities			
Basic materials	139,835		139,835
Consumer goods	196,016		196,016
Financial	25,074		25,074
Healthcare	105,162		105,162
Industrial goods	150,597		150,597
Services	32,344		32,344
Technology	138,343		138,343
Utilities	57,395		57,395
State of Israel bonds		\$ 1,500	1,500
Exchange traded fund	50,525		50,525
Dynamic asset allocation overlays			
Overlay A - equity-oriented asset allocation		236,560	236,560
Overlay B - fixed income- oriented asset allocation		362,532	362,532
	<u>\$ 3,725,387</u>	<u>\$ 600,592</u>	<u>\$ 4,325,979</u>

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**THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 4 - LAND, BUILDING AND EQUIPMENT**

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives</u>
Land in Israel	\$ 893,710	\$ 893,710	
Building in Israel	14,609,545	14,609,545	40 years
Construction in progress in Israel	68,649	56,818	
Condominium office space in New York City	17,514,249	17,514,249	30 years
Equipment	<u>1,726,495</u>	<u>1,696,235</u>	3-10 years
	34,812,648	34,770,557	
Accumulated depreciation	<u>(4,647,918)</u>	<u>(3,585,284)</u>	
	<u>\$ 30,164,730</u>	<u>\$ 31,185,273</u>	

The United Synagogue of Conservative Judaism 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 7) obtained a line of credit for \$5.5 million from U Bank utilizing 2, 4, 6 and 10 Agron Street, Jerusalem, Israel as collateral. As of June 30, 2011, the amount owed on the line of credit is \$2,160,000. During fiscal year 2011, The United Synagogue of Conservative Judaism's Board of Directors committed \$227,500 towards a principal payment of the United Synagogue Center's line of credit in fiscal year 2012. Interest expense for the year ended June 30, 2011 was \$69,411, which was paid by The United Synagogue.

In August 2004, a resolution was signed by The United Synagogue of Conservative Judaism 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. During fiscal year 2011, The United Synagogue made a principal payment of \$133,644 toward the loan. As of June 30, 2011, the principal balance outstanding on this loan totaled \$567,727. This loan is not recorded on the balance sheet. Interest expense for the year ended June 30, 2011 was \$16,410, which was paid by The United Synagogue.

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**THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 5 - PENSION PLANS**

The United Synagogue has two defined contribution retirement plans. Contributions and costs are determined as 7.5% 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 \$363,166 for the executive and union plans combined.

**NOTE 6 - CONTRIBUTIONS AND GRANTS 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 6%. The receivables are due as follows:

Current and due in 2012	\$ 230,176
2013	208,412
2014	197,052
2015	192,552
2016	192,578
Thereafter	<u>118,862</u>
	1,139,632
Less allowance for uncollectible amounts	<u>(495,000)</u>
	644,632
Less discount to present value	<u>(129,106)</u>
	<u>\$ 515,526</u>

**NOTE 7 - 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.

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THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 7 - RELATED ORGANIZATIONS (continued)**

The United Synagogue of Conservative Judaism (“USCJ”) 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 USCJ is related to the Amutta through common members of their governing bodies.

USCJ 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. USCJ 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 USCJ, 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 USCJ.

The Amutta invested the funds received from USCJ 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.

The Amutta, the United Synagogue Center and CJEC use a December 31 year end. USCJ 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, 2010, the Amutta has recorded an investment in related companies of \$14,014,622. This represents an investment of \$12,781,080 in the United Synagogue Center and \$1,233,542 in CJEC. Summaries of the latest financial statements are as follows:

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**THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 7 - RELATED ORGANIZATIONS (continued)**

**United Synagogue of America (an Amutta in Israel)**

**Balance Sheet**

**December 31, 2010**

Assets	\$ <u>14,486,235</u>
Liabilities	\$ 122,714
Net assets	<u>14,363,521</u>
Total liabilities and net assets	\$ <u>14,486,235</u>

**United Synagogue of America (an Amutta in Israel)**

**Statement of Activities**

**Year Ended December 31, 2010**

Revenues and gains	\$ 1,958,986
Expenses	<u>1,366,053</u>
Change in net assets before loss on subsidiaries	592,933
Loss on subsidiaries	<u>(569,695)</u>
Change in net assets	23,238
Net assets - beginning of year	<u>14,340,283</u>
Net assets - end of year	\$ <u>14,363,521</u>

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THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7 - RELATED ORGANIZATIONS (continued)

United Synagogue Center

Balance Sheet

December 31, 2010

Assets	\$ <u>16,147,942</u>
Liabilities	\$ 3,426,220
Net assets	<u>12,721,722</u>
Total liabilities and net assets	\$ <u>16,147,942</u>

United Synagogue Center

Statement of Activities

Year Ended December 31, 2010

Revenues and gains	\$ 221,283
Expenses	<u>760,839</u>
Change in net assets	(539,556)
Net assets - beginning of year	12,539,253
Receipts on account of shares	<u>722,025</u>
Net assets - end of year	\$ <u>12,721,722</u>

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**THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 7 - RELATED ORGANIZATIONS (continued)**

**Conservative Judaism Educational Company Limited**

**Balance Sheet**

**December 31, 2010**

Assets	\$ <u>1,235,009</u>
Liabilities	\$ 187,068
Capital	<u>1,047,941</u>
Total liabilities and capital	\$ <u>1,235,009</u>

**Conservative Judaism Educational Company Limited**

**Statement of Activities**

**Year Ended December 31, 2010**

Revenues	\$ 57,340
Expenses	<u>88,050</u>
Change in net assets	(30,710)
Capital - beginning of year	<u>1,078,651</u>
Capital - end of year	\$ <u>1,047,941</u>

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**THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 8 - UNRESTRICTED, BOARD DESIGNATED, TEMPORARILY AND  
PERMANENTLY RESTRICTED NET ASSETS**

Unrestricted net assets at June 30, 2011 consist of the following:

Undesignated	\$ (7,455,114)
Board designated	<u>11,037,430</u>
Subtotal	3,582,316
Plant	<u>30,164,730</u>
	<u>\$ 33,747,046</u>

Board designated net assets at June 30, 2011 are available for the following purposes:

Capital and other nonoperating expenditures	\$ 5,236,893
Development of prayer books	4,864,300
Other board designated funds	<u>936,237</u>
	11,037,430
Less undesignated net asset borrowings	<u>7,455,114</u>
	<u>\$ 3,582,316</u>

Temporarily restricted net assets at June 30, 2011 are available for the following purposes:

Youth and educational programs	\$ <u>2,855,296</u>
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Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

Youth and educational programs	\$ 1,472,225
Capital acquisitions	<u>11,831</u>
	<u>\$ 1,484,056</u>

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THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 8 - BOARD DESIGNATED, TEMPORARILY AND PERMANENTLY RESTRICTED  
NET ASSETS (continued)**

***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 Board of Directors of The United Synagogue has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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 United Synagogue.

Effective September 17, 2010, New York State modified its laws governing the management and investment of charitable gifts by adopting 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. Adoption of NYPMIFA had no impact on the overall financial results.

***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.

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THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 8 - BOARD DESIGNATED, TEMPORARILY AND PERMANENTLY RESTRICTED  
NET ASSETS (continued)**

*Endowments - Permanently Restricted Net Assets (continued)*

*Endowment Net Asset Composition by Type of Fund*

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

Education programs	\$ 1,097,759
Youth programs	3,438
Youth and educational programs	38,075
Youth scholarships	39,100
Solomon Schechter principals programs	<u>5,844</u>
	<u>\$ 1,184,216</u>

Changes in endowment net assets for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,112	\$ 226,116	\$ 1,235,172	\$ 1,464,400
Earnings		2,779		2,779
Appropriation	(3,112)	(228,895)		(232,007)
Reclassification*	<u>          </u>	<u>          </u>	<u>(50,956)</u>	<u>(50,956)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,184,216</u>	<u>\$ 1,184,216</u>

\* Reclassification was made per donor direction.

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**THE UNITED SYNAGOGUE OF  
CONSERVATIVE JUDAISM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 9 - OPERATING LEASES**

Future minimum lease payments under operating leases for office space at the regional offices as of June 30, 2011 are as follows:

<u>Year Ending June 30</u>	
2012	\$ 285,022
2013	226,725
2014	130,120
2015	29,675
2016	<u>14,838</u>
	 \$ <u>686,380</u>

The leases expire on dates ranging from July 31, 2012 to December 31, 2015. Rent expense for the year ended June 30, 2011 was \$331,320.

**NOTE 10 - 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 nondiscounted contributions receivable of approximately \$1.14 million are pledges of \$948,000 from three donors. An allowance of \$335,000 has been recorded on these pledges.