THE UNITED SYNAGOGUE OF CONSERVATIVE JUDAISM AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT

JUNE 30, 2016 AND 2015

THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE

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LOEB & TROPER LLP

Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The United Synagogue of Conservative Judaism and Affiliate, which comprise the consolidated balance sheet as of June 30, 2016 and 2015, and the related consolidated statements of activities, expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The United Synagogue of Conservative Judaism and Affiliate as of June 30, 2016 and 2015 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 of the consolidated financial statements, The USCJ Supporting Foundation, Inc. received its tax exempt status in November 2015. Additionally, The United Synagogue of Conservative Judaism and Affiliate transferred $8.0 million to The USCJ Supporting Foundation, Inc. during fiscal 2016.

Other Matter - Restatement

As more fully disclosed in Note 14 to the consolidated financial statements, opening net assets as of July 1, 2015 have been restated to properly reflect the classification of net assets along with other adjustments to certain restricted funds.

Supplementary Information

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

Loeb & Troper LLP

June 7, 2017

EXHIBIT A

THE UNITED SYNAGOGUE OF CONSERVATIVE JUDAISM AND AFFILIATE

CONSOLIDATED BALANCE SHEET

JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents (Note 2)	$ 2,076,987	$ 15,472,260
Investments (Note 3)	11,676,376	3,658,756
Dues receivable	121,190	82,608
Accounts and other receivables - net	202,782	361,931
Prepaid expenses - program	521,435	1,380,017
Contributions receivable - net (Note 6)	1,725,878	1,460,465
Inventory		129,540
Fixed assets - net (Note 4)	13,458,892	12,456,889
Other assets	516,614	760,987
Total assets	$ 30,300,154	$ 35,763,453
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 712,075	$ 1,010,360
Line of credit (Note 7)		1,917,920
Accrued salaries, vacations and benefits	1,234,015	1,517,624
Advance deposits	2,693,385	3,648,860
Total liabilities	4,639,475	8,094,764
Net assets (Exhibit B)		
Unrestricted		
Operating	11,250,930	22,317,685
Board-designated (Note 10)	8,065,108	
Total unrestricted	19,316,038	22,317,685
Temporarily restricted (Note 9)	5,224,078	4,184,855
Permanently restricted (Note 9)	1,120,563	1,166,149
Total net assets	25,660,679	27,668,689
Total liabilities and net assets	$ 30,300,154	$ 35,763,453

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE

EXHIBIT B

CONSOLIDATED STATEMENT OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, losses and other support								
Contributions (includes calendar contributions of $516,053 in 2016 and $533,686 in 2015)	$ 851,167	$ 2,146,850		$ 2,998,017	$ 1,607,599	$ 1,886,698		$ 3,494,297
Membership dues	7,219,657			7,219,657	7,509,651			7,509,651
Program revenue	8,009,483			8,009,483	7,793,614			7,793,614
Biennial convention	584,091			584,091	59,310			59,310
Books and publications	519,897			519,897	1,019,556			1,019,556
Bad debt loss						(702,579)		(702,579)
Miscellaneous revenue	8,237			8,237	65,967			65,967
Net assets released from restriction (Note 9)	1,109,025	(1,109,025)			1,368,095	(1,368,095)		
Total revenues, gains, losses and other support	18,301,557	1,037,825		19,339,382	19,423,792	(183,976)		19,239,816
Expenses (Exhibit C)								
Program services								
Youth	10,308,116			10,308,116	9,969,966			9,969,966
Books and publications	1,012,316			1,012,316	1,463,749			1,463,749
Education	1,075,896			1,075,896	1,295,853			1,295,853
Kehilla strengthening and transformation	2,287,208			2,287,208	2,239,394			2,239,394
Other	682,743			682,743	401,968			401,968
Total program services	15,366,279			15,366,279	15,370,930			15,370,930
Supporting services								
Management and general	4,107,022			4,107,022	3,989,099			3,989,099
Fund raising	1,411,384			1,411,384	1,628,543			1,628,543
Total supporting services	5,518,406			5,518,406	5,617,642			5,617,642
Total expenses before depreciation and nonrecurring activities	20,884,685			20,884,685	20,988,572			20,988,572
Change in net assets from operations	(2,583,128)	1,037,825		(1,545,303)	(1,564,780)	(183,976)		(1,748,756)
Depreciation and amortization	(534,434)			(534,434)	(1,015,640)			(1,015,640)
Investment income - net (Note 3)	70,329	1,398		71,727	74,899	17,467		92,366
Change in net assets before nonrecurring activities	(3,047,233)	1,039,223		(2,008,010)	(2,505,521)	(166,509)		(2,672,030)
Nonrecurring activities								
Gain on sale of fixed assets (Note 4)					1,192,745			1,192,745
Severance (Note 14)					(1,041,972)			(1,041,972)
Reclassification (Note 9)	45,586		$ (45,586)		5,000		$ (5,000)	
Change in net assets (Exhibit D)	(3,001,647)	1,039,223	(45,586)	(2,008,010)	(2,349,748)	(166,509)	(5,000)	(2,521,257)
Net assets - beginning of year - as previously reported (Note 15)	22,317,685	4,184,855	1,166,149	27,668,689	23,680,566	5,338,231	1,171,149	30,189,946
Restatement					986,867	(986,867)		
Net assets - beginning of year - restated (Note 15)	22,317,685	4,184,855	1,166,149	27,668,689	24,667,433	4,351,364	1,171,149	30,189,946
Net assets - end of year (Exhibit A)	$ 19,316,038	$ 5,224,078	$ 1,120,563	$ 25,660,679	$ 22,317,685	$ 4,184,855	$ 1,166,149	$ 27,668,689

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT C

THE UNITED SYNAGOGUE OF CONSERVATIVE JUDAISM AND AFFILIATE

CONSOLIDATED STATEMENT OF EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Salaries	$ 6,354,420	$ 7,037,094
Payroll taxes and employee benefits	1,048,468	1,197,076
Severance		1,041,972
Total salaries and related expenses	7,402,888	9,276,142
Grant expense	234,802	319,001
Advertising and promotion	44,669	51,318
Dues and subscriptions	25,530	32,868
Insurance	208,473	240,591
Building maintenance	18,870	47,259
Meetings and conferences	202,560	222,869
Equipment rental and repair	123,272	151,235
Occupancy (Note 10)	770,590	521,452
Office supplies	57,059	70,718
Travel and lodging	472,843	537,680
Postage and shipping	269,261	309,627
Printing and publications	287,126	286,866
Professional fees and contract services	893,957	742,718
Program expenses and participant costs	8,125,996	7,673,460
Biennial convention	693,326	45,673
Book and publication fulfillment costs	648,914	1,121,768
Telephone	144,107	152,352
Depreciation and amortization	534,434	1,015,640
Miscellaneous	260,442	226,947
Total expenses (includes interest expense of $32,734 in 2016 and $111,303 in 2015) (Exhibit B)	$ 21,419,119	$ 23,046,184

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT D

THE UNITED SYNAGOGUE OF CONSERVATIVE JUDAISM AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Change in net assets (Exhibit B)	$ (2,008,010)	$ (2,521,257)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	534,434	1,015,640
Net realized and unrealized loss on investments	7,672	23,976
Gain on sale of fixed assets		(1,192,745)
Decrease (increase) in assets		
Dues receivable	(38,582)	61,921
Accounts and other receivables	159,149	163,400
Prepaid expenses - program	858,582	(281,389)
Contributions receivable	(265,413)	662,405
Inventory	129,540	(29,389)
Other assets	244,373	(752,409)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(298,285)	(519,850)
Accrued salaries, vacations and benefits	(283,609)	647,546
Advance deposits	(955,475)	638,725
Net cash used by operating activities	(1,915,624)	(2,083,426)
Cash flows from investing activities		
Capital expenditures	(1,536,437)	(180,039)
Cost of sale of fixed assets		(980,249)
Proceeds from sale of fixed assets		15,939,000
Purchases of investments	(8,841,009)	(1,700,339)
Proceeds from sale of investments	815,717	2,359,012
Net cash provided (used) by investing activities	(9,561,729)	15,437,385
Cash flows from financing activities		
(Repayment on) proceeds from line of credit	(1,917,920)	1,559,920
Net change in cash and cash equivalents	(13,395,273)	14,913,879
Cash and cash equivalents - beginning of year	15,472,260	558,381
Cash and cash equivalents - end of year	$ 2,076,987	$ 15,472,260
Cash paid for interest	$ 32,734	$ 105,623

See independent auditor's report.

The accompanying notes are an integral part of these statements.

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 576 affiliated congregations. The organization's Conservative Jewish program encompasses youth, educational and congregational programming.

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

During fiscal 2015, The USCJ Supporting Foundation, Inc. (the "Foundation") an affiliate was formed. The Foundation received notification that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code in November 2015. The United Synagogue is the sole member of the Foundation. The United Synagogue and the Foundation are collectively referred to herein as the "Organization". The Foundation has been established to hold an endowment fund of $8.0 million generated from the proceeds of the sale of the condominium office space (Note 4). As of and for the year ended June 30, 2015, the Foundation did not have any activity. As of and for the year ended June 30, 2016, the Foundation is consolidated within these consolidated financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents - Cash and cash equivalents include certain investments in highly liquid instruments with original maturities, when acquired, of three months or less. The Organization routinely invests its surplus operating funds in money market 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.

Included in cash and cash equivalents at June 30, 2015 are the net proceeds from the sale of the office condominium (see Note 4).

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 Organization invests in various securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the consolidated financial statements.

Revenues, accounts receivable and other receivables - Revenues and related receivables are recognized based on programs operated and/or dues expected to be earned in the fiscal year. Interest income is not accrued or recorded on outstanding receivables.

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for doubtful accounts **-** The Organization determines whether an allowance for doubtful accounts should be provided for dues, contributions and accounts and other receivables. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent collections, and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2016 and 2015, the Organization recorded an allowance of approximately $135,000 on accounts and other receivables. As of June 30, 2016 and 2015, the Organization recorded an allowance of $209,128 and $179,249, respectively, on contributions receivable. No allowance has been recorded for dues receivable.

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

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

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

Unrestricted, temporarily and permanently restricted net assets **-** Unrestricted net assets have no donor-imposed stipulations on their use. In addition, resources which are set aside for board-designated purposes are unrestricted. Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. See Note 10 for details of board-designated net assets.

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

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

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rent **-** Rent is expensed on the straight-line basis. Deferred rent is recorded when material. No deferred rent has been recorded as of June 30, 2016 and 2015.

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

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

Measure of operations **-** The consolidated financial statements of the Organization include in its definition of operations all revenues and expenses associated with ongoing programs. Excluded from operations are depreciation and amortization, investment income - net, gain on sale of fixed assets and severance.

Uncertainty in income taxes **-** The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Periods ending June 30, 2013 and subsequent remain subject to examination by applicable taxing authorities.

Reclassification **-** Investment income - net has been reclassified in 2015 on the consolidated statement of activities from operating income to non-operating income to be consistent with the current year presentation.

Fair Value Measurements

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

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

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, 2016, as compared to those used at June 30, 2015.

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

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

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

Limited liability company and limited liability partnership **-** Valued based on information provided by the investment manager.

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, 2016 and 2015.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Changes in Fair Value of Investments Using Significant Unobservable Inputs (Level 3)

The table below sets forth a summary of changes in the fair value of Level 3 assets for the year ended June 30, 2016:

	Level 3
Beginning balance	$ -
Purchases	8,000,000
Interest and dividends	6,929
Unrealized gains	80,468
Expenses	(22,289)
Ending balance	$ 8,065,108
The amount of total gains for the period attributable to the change in unrealized gains or losses relating to assets still held at reporting date	$ 80,468

Quantitative Information About Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

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

	2016 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited liability partnership	$ 4,051,366	-	Monthly	30 days
Limited liability company	4,013,742	-	Monthly	15 days
	$ 8,065,108			

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Objective/Strategy

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

Limited liability company - The goals outlined below imply three primary objectives for managing the PEP:

- To obtain a return on investment sufficient to make the desired annual distributions without eroding the inflation-adjusted value of invested assets.

- To invest prudently, in order to preserve the inflation-adjusted value of the endowment and guard against material reductions in its value.

- To maintain liquidity sufficient to support routine withdrawals for distribution purposes as well as any non-routine withdrawals.

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

Receipts on account of shares - Receipts on account of shares consist of paid-up share capital issued at a premium to the Amutta in exchange for capital notes and investments made by the Amutta (see Note 8).

Subsequent events - Subsequent events have been evaluated through June 7, 2017, which is the date the consolidated financial statements were available to be issued.

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THE UNITED SYNAGOGUE OF CONSERVATIVE JUDAISM AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 3 - INVESTMENTS

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

	Level 1	Level 2	Level 3	Total
Money market funds	$ 20,641			$ 20,641
Mutual funds				
Fixed income	689,208			689,208
Equity	399,637			399,637
Global real estate	134,983			134,983
International	97,578			97,578
Fixed income - corporate bonds		$ 1,101,280		1,101,280
Equities				
Basic materials	89,661			89,661
Consumer goods	73,663			73,663
Financial	101,207			101,207
Healthcare	47,609			47,609
Industrial goods	84,514			84,514
Technology	188,647			188,647
Dynamic asset allocation overlays				
Overlay A - equity-oriented asset allocation		333,855		333,855
Overlay B - fixed income - oriented asset allocation		248,785		248,785
Limited liability company			$ 4,013,742	4,013,742
Limited liability partnership			4,051,366	4,051,366
	$ 1,927,348	$ 1,683,920	$ 8,065,108	$ 11,676,376

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THE UNITED SYNAGOGUE OF CONSERVATIVE JUDAISM AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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, 2015:

	Level 1	Level 2	Total
Money market funds	$ 132,781		$ 132,781
Mutual funds			
Fixed income	895,933		895,933
Equity	410,488		410,488
Global real estate	144,542		144,542
International	89,063		89,063
Fixed income - corporate bonds	862,376		862,376
Equities			
Basic materials	109,375		109,375
Consumer goods	65,849		65,849
Financial	67,105		67,105
Healthcare	38,634		38,634
Industrial goods	128,750		128,750
Technology	167,257		167,257
Dynamic asset allocation overlays			
Overlay A - equity-oriented asset allocation		$ 301,405	301,405
Overlay B - fixed income - oriented asset allocation		245,198	245,198
	$ 3,112,153	$ 546,603	$ 3,658,756

Investment income consists of the following:

	2016	2015
Interest and dividends (net of fees of $41,608 and $22,285 in 2016 and 2015, respectively)	$ 79,399	$ 116,342
Net unrealized and realized loss on investments	(7,672)	(23,976)
	$ 71,727	$ 92,366

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 4 - FIXED ASSETS

	2016	2015	Estimated Useful Lives
Land in Israel	$ 893,710	$ 893,710	
Building in Israel	14,697,694	14,697,694	40 years
Equipment	1,864,280	1,810,675	3-10 years
Cemetery plots	1	1	
Leasehold improvements	1,644,071		
Construction in progress - leasehold improvements		161,239	
	19,099,756	17,563,319	
Accumulated depreciation and amortization	(5,640,864)	(5,106,430)	
	$ 13,458,892	$ 12,456,889	

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

On June 4, 2015, The United Synagogue sold its two-floor office condominium at 820 Second Avenue, New York, NY, for gross proceeds of $15,939,000. The United Synagogue realized a gain on sale of the condominium office space in New York City of $1,192,745, which is included as a nonoperating item on the Consolidated Statement of Activities for the year ended June 30, 2015. The gain takes into account closing costs, brokerage fees, other expenses related to the sale, and the remaining book value.

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NOTE 4 - FIXED ASSETS (continued)

The United Synagogue Center (a related organization in Israel - see Note 8) has a line of credit for $5.5 million from U Bank utilizing 2, 4, 6 and 10 Agron Street, Jerusalem, Israel as collateral, which is owned by The United Synagogue and which has assumed responsibility for the debt's repayment. The United Synagogue paid $205,000 in principal repayments during fiscal 2016, as authorized by The United Synagogue's Board of Directors in fiscal 2015. The United Synagogue paid $205,000 in principal repayments during fiscal 2015, as authorized by The United Synagogue's Board of Directors in fiscal 2014. As of June 30, 2016 and 2015, the amount owed on the line of credit was $1,112,500 and $1,317,500, respectively. In fiscal 2016, The United Synagogue's Board of Directors committed a grant of $124,000 to be used towards a principal and interest payment of the United Synagogue Center's line of credit in 2017. Interest for the years ended June 30, 2016 and 2015 was $36,018 and $39,182, respectively, which was paid by The United Synagogue.

In August 2004, a resolution was signed by The United Synagogue to guarantee the United Synagogue Center's borrowings from Mercantile Bank, Israel for a sum not to exceed $1.3 million with interest at LIBOR plus 2.75% or less per annum. In May 2014, the Mercantile Bank loan was transferred to U Bank utilizing 8 Agron Street, Jerusalem, Israel as collateral with interest at LIBOR plus 3.75%. During fiscal 2016 and 2015, The United Synagogue made principal payments of $84,100 towards the loan with the Board of Directors' approval. As of June 30, 2015, the principal balance outstanding on this loan totaled $84,100. As of June 30, 2016 the loan was paid in full. This loan is not recorded on the consolidated balance sheet. Interest for the years ended June 30, 2016 and 2015 was $2,715 and $6,403, respectively, which was paid by The United Synagogue.

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

Construction in progress at June 30, 2015, represents the first phase of leasehold improvements for The United Synagogue's new corporate headquarters at 120 Broadway, New York, New York (see Notes 11 and 14).

NOTE 5 - PENSION PLANS

The Organization has two defined contribution retirement plans. Contributions and costs are determined as 3.75% for the non-union plan when each employee covered electively contributes at least 4% of his or her gross salary. Under the union membership plan, the Organization matches the employees' voluntary contributions up to 10% of their salaries. Pension expense for the years ended June 30, 2016 and 2015 was $137,011 and $222,338, respectively, for both plans combined.

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THE UNITED SYNAGOGUE OF CONSERVATIVE JUDAISM AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 6 - CONTRIBUTIONS RECEIVABLE

All unconditional contributions receivable have been recorded at present value. Those receivables that are due in more than one year have been discounted to their present value using a discount rate of 4% - 6%. The receivables as of June 30, 2016 are due as follows:

	June 30,
Current and due in 2017	$ 869,287
2018	775,814
2019	246,174
2020	85,352
2021	34,887
Thereafter	79,772
	2,091,286
Less allowance for uncollectible amounts	(209,128)
	1,882,158
Less discount to present value	(156,280)
	$ 1,725,878

NOTE 7 - LINE OF CREDIT

The Organization obtained a line of credit for $2 million from U Bank utilizing Building R and Building Y of the Fuchsberg Center, Israel as collateral. Buildings R and Y are owned by The United Synagogue Center (a related organization). The loan bears interest at the 6-month LIBOR rate plus 3.75%, which was 4.98% at June 30, 2016 and 2015. The line expires in May 2019. As of June 30, 2015, the amount outstanding on the line of credit was $1,917,920. As of June 30, 2016, the line was repaid in full. Interest expense for the years ended June 30, 2016 and 2015 was $32,734 and $65,718, respectively.

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NOTE 8 - RELATED ORGANIZATIONS IN ISRAEL

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

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

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

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

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

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

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NOTE 8 - RELATED ORGANIZATIONS IN ISRAEL (continued)

The Amutta, the United Synagogue Center and CJEC use a December 31 year end. The Organization uses a June 30 year end; therefore, the amounts shown by each of the companies for intercompany transactions may be different. Individual financial statements have been issued in Israel. Those financial statements were in the new Israeli Shekel, and were converted to U.S. Dollars. If the individual financial statements were consolidated, the intercompany transfers relating to the assets in the Center would be eliminated. As of December 31, 2015 and 2014, the Amutta has recorded an investment in related companies of $12,631,963 and $12,928,738, respectively. Summaries of the latest financial statements are as follows:

	For the Year Ended December 31, 2015				
	United Synagogue of America (an Amutta in Israel)	**United Synagogue Center**	**Conservative Judaism Educational Company Limited**	**Eliminations**	**Total**
Balance Sheet					
Assets	$ 13,032,764	$ 12,947,319	$ 1,017,167	$(12,631,963)	$ 14,365,287
Liabilities	$ 146,235	$ 1,257,860	$ 235,337		$ 1,639,432
Net assets	12,886,529	11,689,459	781,830	$(12,631,963)	12,725,855
Total liabilities and net assets	$ 13,032,764	$ 12,947,319	$ 1,017,167	$(12,631,963)	$ 14,365,287
Statement of Activities					
Revenues and gains	$ 1,447,979	$ 142,587	$ 50,554		$ 1,641,120
Expenses	1,147,232	746,031	87,934		1,981,197
Change in net assets before loss on subsidiaries	300,747	(603,444)	(37,380)		(340,077)
Loss on subsidiaries	(640,115)				(640,115)
Change in net assets	(339,368)	(603,444)	(37,380)		(980,193)
Net assets/capital - beginning of year	13,225,897	11,932,581	819,210	$(12,631,963)	13,345,725
Receipts on account of shares		360,322			360,322
Net assets/capital - end of year	$ 12,886,529	$ 11,689,459	$ 781,830	$(12,631,963)	$ 12,725,855

-continued-

THE UNITED SYNAGOGUE OF CONSERVATIVE JUDAISM AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 8 - RELATED ORGANIZATIONS IN ISRAEL (continued)

	For the Year Ended December 31, 2014				
	United Synagogue of America (an Amutta in Israel)	**United Synagogue Center**	**Conservative Judaism Educational Company Limited**	**Eliminations**	**Total**
Balance Sheet					
Assets	$ 13,364,694	$ 13,496,340	$ 1,048,901	$(12,928,738)	$ 14,981,197
Liabilities	$ 138,797	$ 1,563,759	$ 229,691		$ 1,932,247
Net assets	13,225,897	11,932,581	819,210	$(12,928,738)	13,048,950
Total liabilities and net assets	$ 13,364,694	$ 13,496,340	$ 1,048,901	$(12,928,738)	$ 14,981,197
Statement of Activities					
Revenues and gains	$ 1,499,312	$ 33,356	$ 25,134		$ 1,557,802
Expenses	1,233,925	770,686	98,116		2,102,727
Change in net assets before loss on subsidiaries	265,387	(737,330)	(72,982)		(544,925)
Loss on subsidiaries	(809,501)				(809,501)
Change in net assets	(544,114)	(737,330)	(72,982)		(1,354,426)
Net assets/capital - beginning of year	13,770,011	12,298,212	892,192	$(12,928,738)	14,031,677
Receipts on account of shares		371,699			371,699
Net assets/capital - end of year	$ 13,225,897	$ 11,932,581	$ 819,210	$(12,928,738)	$ 13,048,950

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NOTE 9 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following purposes and/or time restriction:

	2016	2015
Kehilot (member congregation) programs and services	$ 1,211,717	$ 341,305
Youth scholarships	1,368,562	1,188,266
Youth programs	528,125	525,006
Israel educational programs and operating support	1,022,077	956,295
Tikun olam (social action and disaster relief)	268,845	344,249
Annual fund time-restricted pledges and other	824,752	829,734
Total	$ 5,224,078	$ 4,184,855

Temporarily restricted net assets were released from donor restrictions during fiscal 2016 and 2015 by incurring expenses satisfying the following restricted purposes and/or expiration of time restrictions:

	2016	2015
Kehilot (member congregation) programs and services	$ 191,203	$ 236,372
Youth scholarships	83,745	138,953
Youth programs	466,040	213,799
Israel educational programs and operating support	115,922	499,607
Tikun olam (social action and disaster relief)	126,951	102,285
Annual fund time-restricted pledges and other	125,164	177,079
Total	$ 1,109,025	$ 1,368,095

Endowments - Permanently Restricted Net Assets

General

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

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

***Endowments - Permanently Restricted Net Assets* (continued)**

Interpretation of Relevant Law

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

Return Objectives, Strategies Employed and Spending Policy

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

Funds with Deficiencies

The Organization does not have any funds with deficiencies at June 30, 2016 and 2015.

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

Endowments - Permanently Restricted Net Assets ***(continued)***

Endowment Net Asset Composition by Type of Fund

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

	2016	2015
Day schools principals training program	$ 935,372	$ 935,372
Youth program and scholarships	135,191	180,777
Leadership development	50,000	50,000
	$ 1,120,563	$ 1,166,149

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

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

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

Endowments - Permanently Restricted Net Assets ***(continued)***

Changes in endowment net assets for the year ended June 30, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 1,171,149	$ 1,171,149
Realized gains	17,467	-	17,467
Appropriation	(17,467)	-	(17,467)
Reclassification*	-	(5,000)	(5,000)
Endowment net assets, end of year	$ -	$ 1,166,149	$ 1,166,149

* Reclassification was made per donor direction.

NOTE 10 - BOARD-DESIGNATED NET ASSETS

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

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

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NOTE 10 - BOARD-DESIGNATED NET ASSETS (continued)

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

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

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

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

a. To support The United Synagogue of Conservative Judaism and its affiliates;

b. To further the purposes of the Synagogue in creating a spiritual, intellectual and managerial community to fulfill its sacred mission and providing a connection with a common sense of community, shared mission and purpose; and

c. To fund a variety of religious and charitable activities in connection with the Synagogue.

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

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NOTE 11 - OPERATING LEASES

On June 2, 2015, the Organization entered into a 15-year operating lease for office space at 120 Broadway, New York, New York. As part of the lease, the Organization provided a security deposit of $502,178 held by the landlord. This is recorded in other assets on the consolidated balance sheet. The Organization also obtained a letter of credit in the amount of $502,178, which expires on May 10, 2018. In addition, the Organization leased back office space at 820 Second Avenue on a month-to-month basis until the space at 120 Broadway was available. Future minimum lease payments are as follows:

Year Ending June 30	
2017/18	$ 669,571
2018/19	669,571
2019/20	669,571
2020/21	669,571
2021/22	669,571
Thereafter	7,063,974
	$ 10,411,829

Future minimum lease payments under operating leases for office space at the regional offices as of June 30, 2016 are as follows:

Year Ending June 30	
2017/18	$ 120,288
2018/19	78,179
2019/20	77,096
	$ 275,563

The leases expire on dates ranging through October 31, 2019. Rent expense for the years ended June 30, 2016 and 2015 was $727,150 and $444,557, respectively.

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THE UNITED SYNAGOGUE OF
CONSERVATIVE JUDAISM AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 12 - FUNCTIONAL EXPENSES

	2016	
Program services		$ 15,847,273
Management and general	$ 4,160,462	
Investment fees - management and general	41,608	4,202,070
Fund raising		1,411,384
Total functional expenses		$ 21,460,727

	2015	
Program services		$ 16,285,013
Management and general	$ 4,090,656	
Severance - management and general	1,041,972	
Investment fees - management and general	22,285	5,154,913
Fund raising		1,628,543
Total functional expenses		$ 23,068,469

Functional expenses include an allocation of depreciation and amortization expense.

NOTE 13 - CONCENTRATIONS

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

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

Included in gross contributions receivable at June 30, 2015 are gross pledges of approximately $1.2 million from five donors.

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NOTE 14 - COMMITMENTS

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

In connection with the operating lease (see Note 11) for office space at 120 Broadway, New York, New York, The United Synagogue entered into contractual commitments of approximately $207,000 as of June 30, 2015 towards the construction of the office space.

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

NOTE 15 - RESTATEMENT

Unrestricted net assets in the amount of $986,867 have been restated to properly reflect the classification of net assets. The restatement includes a reclassification to decrease certain restricted funds.

SCHEDULE 1

THE UNITED SYNAGOGUE OF CONSERVATIVE JUDAISM AND AFFILIATE

CONSOLIDATING BALANCE SHEET

JUNE 30, 2016

	United Synagogue of Conservative Judaism	The United Synagogue Supporting Foundation, Inc.	Total
ASSETS			
Cash and cash equivalents	$ 2,076,987		$ 2,076,987
Investments	3,611,268	$ 8,065,108	11,676,376
Dues receivable	121,190		121,190
Accounts and other receivables - net	202,782		202,782
Prepaid expenses - program	521,435		521,435
Contributions receivable - net	1,725,878		1,725,878
Fixed assets - net	13,458,892		13,458,892
Other assets	516,614		516,614
Total assets	$ 22,235,046	$ 8,065,108	$ 30,300,154
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	$ 712,075		$ 712,075
Accrued salaries, vacations and benefits	1,234,015		1,234,015
Advance deposits	2,693,385		2,693,385
Total liabilities	4,639,475		4,639,475
Net assets (Exhibit B)			
Unrestricted			
Operating	11,250,930		11,250,930
Board-designated		$ 8,065,108	8,065,108
Total unrestricted	11,250,930	8,065,108	19,316,038
Temporarily restricted	5,224,078		5,224,078
Permanently restricted	1,120,563		1,120,563
Total net assets	17,595,571	8,065,108	25,660,679
Total liabilities and net assets	$ 22,235,046	$ 8,065,108	$ 30,300,154

See independent auditor's report.