

Eisner

Eisner LLP
Accountants and Advisors

REFORM PENSION BOARD TRUST

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 and 2008

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Reform Pension Board Trust
New York, New York

We have audited the accompanying statements of net assets available for benefits of the Reform Pension Board Trust (the "Trust") as of September 30, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of the Reform Pension Board Trust as of September 30, 2009 and 2008, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



New York, New York
March 17, 2010

REFORM PENSION BOARD TRUST

Statements of Net Assets Available for Benefits

	September 30,	
	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 2,152,452	\$ 3,893,264
Investments [including investments of \$5,035,752 and \$3,230,736 for 2009 and 2008 held on behalf of other organizations (Note C), and net of investments of \$11,039,125 and \$10,890,293 for 2009, and 2008, respectively, held for the rabbi trust (Note G)]	838,215,106	817,556,621
Participant contributions due	10,737,776	
Interest receivable	44,886	49,905
Other receivables	<u>143,305</u>	<u>109,923</u>
Total assets	<u>\$ 851,293,525</u>	<u>\$ 821,609,713</u>
LIABILITIES AND NET ASSETS AVAILABLE FOR BENEFITS		
Liabilities:		
Participants' benefits payable	\$ 1,428,609	\$ 2,217,515
Due to other organizations (Note C)	5,035,752	3,230,736
Deferred life insurance revenue	121,694	127,943
Deferred proceeds received from securities lending program	287,600	
Payable to the Northern Trust Corporation securities lending program	1,122,116	1,122,116
Accounts payable and accrued expenses	310,715	277,697
Accrued investment management fees	<u>916,619</u>	<u>828,986</u>
Total liabilities	<u>9,223,105</u>	<u>7,804,993</u>
Commitment (Note E)		
Net assets available for benefits:		
Trust Reserve	823,634,224	795,583,962
Robert L. Adler Fund for Administration	<u>18,436,196</u>	<u>18,220,758</u>
Net assets available for benefits	<u>842,070,420</u>	<u>813,804,720</u>
Total liabilities and net assets available for benefits	<u>\$ 851,293,525</u>	<u>\$ 821,609,713</u>

REFORM PENSION BOARD TRUST

Statements of Changes in Net Assets Available for Benefits

	Year Ended September 30,	
	2009	2008
Additions (reductions) to net assets attributed to:		
Net appreciation (depreciation) in fair value of investments	\$ 5,873,926	\$(186,602,407)
Investment income	<u>23,012,987</u>	<u>33,885,964</u>
	28,886,913	(152,716,443)
Less investment expenses	<u>(4,164,135)</u>	<u>(4,783,148)</u>
	24,722,778	(157,499,591)
Participant pension contributions	29,964,173	29,342,817
Rollover contributions	819,637	881,776
Transfers of participants' investment balances from rabbi trust	298,162	507,450
Other revenue	<u>115,029</u>	<u>116,506</u>
Total additions (reductions)	<u>55,919,779</u>	<u>(126,651,042)</u>
Deductions from net assets attributed to:		
Benefits paid to participants	25,127,634	28,056,587
Administrative expenses (Note F)	<u>2,526,445</u>	<u>2,396,162</u>
Total deductions	<u>27,654,079</u>	<u>30,452,749</u>
Increase (decrease) in net assets available for benefits	28,265,700	(157,103,791)
Net assets available for benefits:		
Beginning of year	<u>813,804,720</u>	<u>970,908,511</u>
End of year	<u>\$ 842,070,420</u>	<u>\$ 813,804,720</u>

REFORM PENSION BOARD TRUST

Notes to Financial Statements September 30, 2009 and 2008

NOTE A - DESCRIPTION OF TRUST

[1] Trust:

The Reform Pension Board Trust (the "Trust") is a defined-contribution, employee-benefit plan covering members of the Central Conference of American Rabbis (the "CCAR"); the National Association of Temple Administrators (the "NATA"); the National Association of Temple Educators (the "NATE"); the Progressive Association of Reform Day Schools (the "PARDeS"); the Early Childhood Educators of Reform Judaism (the "ECE-RJ"); the Program Directors of Reform Judaism (the "PDRJ"); and other eligible employees whose employers are affiliated with the Union for Reform Judaism (the "URJ") or who are otherwise eligible.

The plan is administered by the 20-member Trust, appointed as follows: (i) four are ex-officio members with full voting rights appointed two each by the URJ and the CCAR; (ii) six are regular members appointed by the CCAR; (iii) six are regular members appointed by the URJ; (iv) two are regular members appointed by the NATA; and (v) two are regular members appointed by the NATE.

The Trust is considered to be a "church plan," as defined by the Internal Revenue Code, Section 403(b), and is not subject to the provisions of the federal Employee Retirement Income Security Act of 1974, as amended.

The accompanying financial statements include the pension-related assets, liabilities, additions and deductions, as well as the Trust's administrative operations and related assets, liabilities and net assets referred to as the Robert L. Adler Fund for Administration.

Additionally, the Trust invests for certain related entities of the Reform movement and accounts for these funds separately, although these assets are commingled with other Trust assets.

The descriptions of the Trust and its activities and resources, included in the accompanying financial statements, are provided for general information purposes only. Interested persons should refer to the underlying trust agreement for a more complete description of the Trust's provisions.

[2] Participant pension contributions:

Each participant's employer is requested by the Trust to contribute to the Trust an amount equal to 15% but not less than 15%, of the participant's salary (with salaries defined as including parsonage, when applicable). The participant, through a salary-reduction agreement, is requested to contribute at least 3% of his or her annual salary, for a suggested total contribution that equals at least 18% of annual salary. The Trust records contributions requested and not received from the employers as an amount due on the statements of net assets available for benefits. The Trust is not responsible for the collection of any participant contributions.

[3] Participant accounts:

Each participant's account is credited with the employer's contribution on behalf of the participant and allocations of Trust earnings, net of investment expenses, and is charged with an allocation of a portion of administrative expenses. Allocations are based on account balances. The benefit to which a participant is entitled upon retirement is based on the participant's vested account value.

[4] Vesting:

Participants are vested in annual contributions on a basis proportionate to the months worked during each plan year. Participants are 100% vested for contributions received in prior plan years.

REFORM PENSION BOARD TRUST

Notes to Financial Statements September 30, 2009 and 2008

NOTE A - DESCRIPTION OF TRUST (CONTINUED)

[5] Life insurance:

The life insurance program provides basic coverage at a factor of one times salary, up to \$50,000, to those active participants whose combined employer/employee contribution is a minimum of 10% of the participant's salary to the Trust. Additional life insurance may be purchased at the option of individual participants, at their own cost.

[6] Payment of benefits:

Upon termination of service due to disability, retirement or death, a participant or beneficiary, as appropriate, may elect to receive the fair value of his or her vested interest in the Trust in the form of a flexible payment, a lump-sum payment or an annuity. If a participant does not elect a retirement option, no distributions will be made from the participant's pension account until mandatory distributions are required by the Internal Revenue Code.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The accompanying financial statements have been prepared using the accrual basis of accounting.

[2] Trust investment valuation and income recognition:

The Trust's investments held in trust are stated at their fair values. Shares of registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by the Trust at year-end. Additionally, the Trust includes certain cash balances and short-term money-market funds held by fund managers as part of the investment portfolio. The Trust records purchases and sales of securities on a trade-date basis. Interest income is recorded using the accrual basis. Dividends are recorded on the ex-dividend date.

[3] Participants' benefit payable:

Benefits to participants are recorded when due and payable.

[4] Use of estimates:

The preparation of the Trust's financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, and the reported amounts of additions to and deductions from net assets during the reporting period. Actual results could differ from those estimates.

[5] Accrued vacation:

Based on their tenure, the Trust's employees are entitled to be paid for unused vacation time if they leave the Trust's employ. Accordingly, at each fiscal year-end, the Trust must recognize a liability for the amount that would be incurred if employees with such unused vacation were to leave. At September 30, 2009 and 2008, this accrued vacation obligation was approximately \$56,000 and \$53,000, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of net assets available for benefits.

REFORM PENSION BOARD TRUST

Notes to Financial Statements September 30, 2009 and 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Securities lending program:

The Trust participates in a securities lending program sponsored by the Northern Trust Corporation ("Northern Trust"). Under this program, Northern Trust lends securities, including those of the Trust, to qualified institutional borrowers. In addition to the program fees that they pay, the borrowers place assets with a value greater than the market value of the securities borrowed into a collateral pool. The investment of the assets in the collateral pool provides an additional return to lending-program participants such as the Trust.

However, in fiscal-year 2008, due to the bankruptcy of one borrower and the general downturn in the economy, a significant deficiency developed in the collateral pool. As a result, the Trust incurred an unrealized loss of \$1,122,116, with a concurrent payable to the Northern Trust, representing the Trust's pro rata share of the collateral pool's deficit. The unrealized loss and related liability are reported in the accompanying financial statements. During 2009, the Trust received approximately \$135,000 from Northern Trust as a cash payment reduction of the obligation. In addition, in March 2009, the Trust began deferring all revenue generated from the securities lending program until the Northern Trust deficit has been fully recovered. The Trust deferred approximately \$153,000 from securities lending during 2009.

Subsequent to the end of fiscal-year 2009, the Trust's liability for the collateral pool deficiency was eliminated as a result of improved market conditions.

[7] Net assets available for benefits:

The net assets available for benefits reported in the accompanying financial statements are classified and reported as follows:

(a) Trust Reserve:

This category of net assets available for benefits represents those resources used to account for the participant-directed transactions within Trust parameters, as well as the net operations of the Trust's administration.

(b) Robert L. Adler Fund for Administration:

This category of net assets available for benefits is used for administrative purposes that benefit participants and beneficiaries.

[8] Cash equivalents:

For financial-reporting purposes, management considers all highly liquid investments, purchased with an original maturity of three months or less, to be cash equivalents, except for those held as part of the investment portfolio.

[9] Income tax uncertainties:

In fiscal-year 2010, the Trust will adopt Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Due to the Trust's tax-exempt status, ASC 740-10-05 is not expected to have a material effect on its financial statements.

[10] Fair-value measurement:

In fiscal-year 2009, the Trust adopted ASC 820-10-05 relating to fair-value measurement. Accordingly, the Trust reports a fair-value measurement of all applicable assets and liabilities (see Note C).

REFORM PENSION BOARD TRUST

Notes to Financial Statements September 30, 2009 and 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Subsequent events:

The Trust considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

NOTE C - INVESTMENTS

The Trust's investments are managed by various investment managers and held by its custodian, Northern Trust. At each fiscal year-end, investment values were as follows:

	September 30,	
	2009	2008
Cash and cash equivalents	\$ 17,198,921	\$ 19,323,938
Guaranteed investment contracts	100,407,444	81,651,294
U.S. and foreign government securities	52,672,711	136,261,518
Corporate bonds and debentures	84,772,204	253,270,061
Mutual funds	63,758,453	64,225,355
Equity securities	246,327,236	155,254,755
Israel bonds	2,000,000	2,000,000
Fund of funds consisting of:		
U.S. and foreign government securities	92,464,346	
Equity securities	109,554,589	85,329,386
Alternative investments consisting of:		
U.S. and foreign government securities	35,530,231	
Equity securities	33,528,971	20,240,314
Total investments	<u>\$ 838,215,106</u>	<u>\$ 817,556,621</u>

At each fiscal year-end, the Trust's investments included funds held on behalf of the CCAR, NATE, and NATA. At each fiscal year-end, investment values for those funds were as follows:

	September 30,	
	2009	2008
Central Conference of American Rabbis	\$ 3,963,069	\$ 3,230,736
National Association of Temple Educators	551,871	
National Association of Temple Administrators	520,812	
	<u>\$ 5,035,752</u>	<u>\$ 3,230,736</u>

These amounts are likewise reported as a liability in the accompanying statements of net assets available for benefits.

REFORM PENSION BOARD TRUST

Notes to Financial Statements September 30, 2009 and 2008

NOTE C - INVESTMENTS (CONTINUED)

During each fiscal year, the Trust's investments (including those investments bought, sold and held during the fiscal year) appreciated (depreciated) in value as follows:

	<u>September 30,</u>	
	<u>2009</u>	<u>2008</u>
U.S. and foreign government securities	\$ 14,203,878	\$ (9,137,440)
Corporate bonds and debentures	3,031,579	(11,986,284)
Equity securities	(5,875,092)	(145,383,535)
Mutual funds	<u>(5,486,439)</u>	<u>(20,095,148)</u>
	<u>\$ 5,873,926</u>	<u>\$ (186,602,407)</u>

Realized (losses) gains on investments were (\$61,393,785) and \$16,125,740 during fiscal-years 2009 and 2008, respectively. Unrealized gains (losses) were \$67,267,711 and (\$202,728,147) during fiscal-years 2009 and 2008, respectively.

At September 30, 2009, concentration of the Trust's investments in excess of 10% of the fair value of its portfolio included approximately 22% invested in U.S. and foreign government securities, 12% in guaranteed investment contracts, and 47% invested in equity securities.

The Trust measures its investments at fair value, in the following manner:

- requiring consideration of nonperformance risk when valuing liabilities;
- defining fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value; and
- establishing a three-level hierarchy for fair-value measurement based upon the observability of inputs to the evaluation of an asset or liability as of the measurement date.

The three-level valuation hierarchy uses valuation techniques that are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value levels:

Level 1 - quoted prices for *identical instruments* in active markets;

Level 2 - quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations the significant inputs of which are *observable*; and

Level 3 - instruments the significant inputs for which are *unobservable*.

REFORM PENSION BOARD TRUST

Notes to Financial Statements September 30, 2009 and 2008

NOTE C - INVESTMENTS (CONTINUED)

The following table presents for each of these hierarchy levels, the Trust's financial assets that are measured at fair value on a recurring basis at September 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 17,198,921			\$ 17,198,921
Guaranteed investment contracts		\$ 100,407,444		100,407,444
U.S. and foreign government securities		52,672,711		52,672,711
Corporate bonds and debentures		84,772,204		84,772,204
Mutual funds	63,758,453			63,758,453
Equity securities	246,327,236			246,327,236
Israel bonds		2,000,000		2,000,000
Funds of funds	64,402,198	118,711,081	\$ 18,905,656	202,018,935
Alternative investments			69,059,202	69,059,202
	<u>\$ 391,686,808</u>	<u>\$ 358,563,440</u>	<u>\$ 87,964,858</u>	<u>\$ 838,215,106</u>

The following summarizes the changes in fair value of the Trust's Level 3 investments for fiscal-year 2009:

	<u>Funds of Funds</u>	<u>Alternative Investments</u>
Balance beginning of year	\$ 12,264,792	\$ 20,240,314
Additions	6,513,416	40,413,473
Withdrawals		(3,853,640)
Realized and unrealized (losses) gains	(139,987)	12,131,345
Interest and dividends	372,346	358,180
Fees and other charges	<u>(104,911)</u>	<u>(230,470)</u>
Balance end of year	<u>\$ 18,905,656</u>	<u>\$ 69,059,202</u>

In addition, other financial instruments that are not included in the Trust's investments are composed of cash and cash equivalents and interest receivable, the carrying values of which approximate their fair values. Similarly, the reported amounts of financial liabilities approximate their fair values.

NOTE D - TERMINATION OF PLAN

Although they have not expressed any intention to do so, in recognition of the fact that future conditions and circumstances cannot be entirely foreseen, the Trust's sponsors reserve the right to terminate the plan. Upon such termination, the net assets of the Trust would be allocated to, or for the benefit of, the participants and their beneficiaries, in accordance with the provisions of the Trust.

NOTE E - RELATED-PARTY TRANSACTIONS

The Temple Service Agency, Inc. (the "TSA"), a for-profit entity, has certain board members and shareholders in common with certain trustees of the Trust. The TSA is an insurance broker that services the Trust; the Trust in turn has agreed to finance the operating deficits of the TSA. Commencing as of January 1, 2005, the method of accounting between the Trust and the TSA changed from an expense-allocation basis to a service-fee arrangement. The annual service-fee agreement between the Trust and the TSA is \$108,000.

REFORM PENSION BOARD TRUST

Notes to Financial Statements September 30, 2009 and 2008

NOTE E - RELATED-PARTY TRANSACTIONS (CONTINUED)

In addition, the Trust and the CCAR entered into an amended ten-year lease agreement beginning June 1, 2008, for the rental of office space at 355 Lexington Avenue in New York City. According to the agreement, the CCAR pays two-thirds of the lease charges, and the Trust pays the remaining one-third. The Trust's portion of the annual rental commitment (not including escalation clauses), for the remaining years of the lease, is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2010	\$ 138,470
2011	138,470
2012	138,470
2013	139,612
Thereafter	<u>748,216</u>
	<u>\$ 1,303,238</u>

Rent expense for fiscal-years 2009 and 2008 was \$141,701 and \$73,093 respectively.

NOTE F - ADMINISTRATIVE EXPENSES

During each fiscal year, administrative expenses were as follows:

	<u>Year Ended September 30,</u>	
	<u>2009</u>	<u>2008</u>
Salaries	\$ 922,799	\$ 834,396
Payroll taxes and employee benefits	271,490	261,558
Professional fees	165,738	157,565
Telephone	12,912	14,586
Printing, lettershop and postage	42,290	42,976
General office	65,406	70,028
Travel and meetings	141,154	179,972
Insurance	66,454	66,547
Pension continuation policy	133,061	129,575
Rent	141,701	73,093
Consulting	176,139	163,354
Membership dues	10,406	10,818
Life insurance subsidy	343,328	349,837
U.S. proxy voting system	33,375	34,500
Miscellaneous	<u>192</u>	<u>7,357</u>
	<u>\$ 2,526,445</u>	<u>\$ 2,396,162</u>

REFORM PENSION BOARD TRUST

Notes to Financial Statements September 30, 2009 and 2008

NOTE G - RABBI TRUST

The Trust's administrators also direct the operations of a separate trust, commonly known as a "rabbi trust," created in 1990. The rabbi trust is a deferred-compensation arrangement in which funds are invested in an irrevocable trust to be held for retirement purposes for eligible participants. As a result of recent changes in the tax laws with respect to annual contribution limits to 403(b) defined-contribution plans, a greater amount of contributions made by congregations on behalf of participants has been directed to the Trust, thus reducing the amounts contributed to the rabbi trust.

Commencing in 2003, active participants in the rabbi trust whose balances in their participant accounts had not yet reached the 403(b) limit were eligible to transfer their accounts to the Trust, in amounts up to the 403(b) limit. As of April 2007, the investments held in the rabbi trust were integrated with the investments held in the Trust. However, the net assets of the rabbi trust are accounted for separately and are therefore not combined with the net assets of the Trust, as set forth in the accompanying financial statements. At each fiscal year-end, the net assets and changes in net assets of the rabbi trust were as follows:

	<u>September 30,</u>	
	<u>2009</u>	<u>2008</u>
Net assets available for benefits:		
Assets:		
Investments	\$ 11,039,125	\$ 10,890,293
Participant contributions due	<u>536,524</u>	<u> </u>
Net assets available for benefits	<u>\$ 11,575,649</u>	<u>\$ 10,890,293</u>
Changes in net assets available for benefits:		
Additions to net assets:		
Net appreciation (depreciation) in fair value of investments	\$ 59,490	\$ (2,691,267)
Investment income	190,898	419,734
Contributions	<u>1,042,964</u>	<u>1,189,038</u>
	<u>1,293,352</u>	<u>(1,082,495)</u>
Deductions:		
Benefits paid to participants	309,834	403,068
Transfers of participants' investment balances to the Trust	<u>298,162</u>	<u>507,450</u>
	<u>607,996</u>	<u>910,518</u>
Change in net assets available for benefits	685,356	(1,993,013)
Net assets available for benefits:		
Beginning of year	<u>10,890,293</u>	<u>12,883,306</u>
End of year	<u>\$ 11,575,649</u>	<u>\$ 10,890,293</u>