

**JEWISH FEDERATION OF SAN ANTONIO**  
**FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Jewish Federation of San Antonio  
San Antonio, Texas

We have audited the accompanying financial statements of the Jewish Federation of San Antonio (a non-profit corporation), which comprise the statement of financial position as of June 30, 2018 (with comparative totals for 2017), and the related statements of activities and changes in net assets (with comparative totals for 2017), functional expenses (with comparative totals for 2017), and cash flows (with comparative totals for 2017) for the year ended June 30, 2018, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

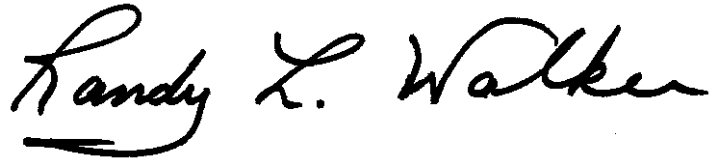
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Federation of San Antonio as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline under the first letter of "Randy".

San Antonio, Texas  
January 2, 2019

**JEWISH FEDERATION OF SAN ANTONIO**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2018**  
**(with comparative totals for 2017)**

	<b>General Fund</b>	<b>Endowment Fund</b>	<b>2018 Total</b>	<b>2017 Total</b>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 603,417	\$ 823,216	\$ <b>1,426,633</b>	\$ 1,146,632
Pledges receivable - net	372,077	-	<b>372,077</b>	414,018
Other receivables	47,109	-	<b>47,109</b>	10,283
Interfund receivables - net	131,938	(131,938)	-	-
Prepaid expenses	18,180	-	<b>18,180</b>	5,649
<b>TOTAL CURRENT ASSETS</b>	<b>1,172,721</b>	<b>691,278</b>	<b>1,863,999</b>	<b>1,576,582</b>
<b>LONG-TERM ASSETS</b>				
Loan receivable	-	2,000,000	<b>2,000,000</b>	2,000,000
Investments:				
Investments - carried at fair value	452,401	7,935,303	<b>8,387,704</b>	7,948,648
Investments - carried at cost	15,503	556,547	<b>572,050</b>	558,553
Cash surrender value of life insurance	-	215,933	<b>215,933</b>	216,128
Investment in real estate	1	-	<b>1</b>	1
Amounts held for others	-	917,880	<b>917,880</b>	815,626
Assets held in charitable trusts	-	500,584	<b>500,584</b>	486,234
Beneficial interest in perpetual trusts	-	9,010,636	<b>9,010,636</b>	8,432,029
Leasehold improvements - net	83,075	-	<b>83,075</b>	89,318
<b>TOTAL LONG-TERM ASSETS</b>	<b>550,980</b>	<b>21,136,883</b>	<b>21,687,863</b>	<b>20,546,537</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,723,701</b>	<b>\$ 21,828,161</b>	<b>\$ 23,551,862</b>	<b>\$ 22,123,119</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 55,516	\$ 36,000	\$ <b>91,516</b>	\$ 19,862
Accrued expenses	42,416	-	<b>42,416</b>	43,501
Grants and allocations payable	630,809	-	<b>630,809</b>	641,256
Deferred income	-	-	-	6,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>728,741</b>	<b>36,000</b>	<b>764,741</b>	<b>710,619</b>
Amounts held for others	-	1,100,667	<b>1,100,667</b>	1,023,346
Liabilities under agency relationships	-	293,188	<b>293,188</b>	275,829
Liabilities under trust and annuity agreements	-	573,682	<b>573,682</b>	601,156
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>-</b>	<b>1,967,537</b>	<b>1,967,537</b>	<b>1,900,331</b>
<b>TOTAL LIABILITIES</b>	<b>728,741</b>	<b>2,003,537</b>	<b>2,732,278</b>	<b>2,610,950</b>
<b>NET ASSETS</b>				
Without donor restrictions	994,960	2,941,861	<b>3,936,821</b>	3,461,333
Total without donor restrictions	<b>994,960</b>	<b>2,941,861</b>	<b>3,936,821</b>	<b>3,461,333</b>
With donor restrictions				
Purpose restricted	-	5,067,674	<b>5,067,674</b>	4,822,589
Perpetually restricted	-	11,815,089	<b>11,815,089</b>	11,228,247
Total with donor restrictions	<b>-</b>	<b>16,882,763</b>	<b>16,882,763</b>	<b>16,050,836</b>
<b>TOTAL NET ASSETS</b>	<b>994,960</b>	<b>19,824,624</b>	<b>20,819,584</b>	<b>19,512,169</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,723,701</b>	<b>\$ 21,828,161</b>	<b>\$ 23,551,862</b>	<b>\$ 22,123,119</b>

The accompanying notes are an integral part of these financial statements.

**JEWISH FEDERATION OF SAN ANTONIO**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2018**  
**(with comparative totals for 2017)**

	General Fund			Endowment Funds			2018 Total	2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
<b><u>OPERATING SUPPORT AND REVENUE</u></b>								
Campaign pledges - net	\$ 1,254,844	\$ -	\$ 1,254,844	\$ -	\$ -	\$ -	\$ <b>1,254,844</b>	\$ 1,538,425
Contributions, grants, and other pledges	33,397	144,903	178,300	688,449	256,106	944,555	<b>1,122,855</b>	1,031,835
Investment income, net	21,939	-	21,939	209,413	412,731	622,144	<b>644,083</b>	816,801
Gain on assets held in perpetual trusts	-	-	-	-	578,607	578,607	<b>578,607</b>	519,384
Program fees and other	193,552	-	193,552	-	-	-	<b>193,552</b>	191,732
Fundraising, net of direct costs of \$57,158 and \$-0-, respectively	-	-	-	-	135,331	135,331	<b>135,331</b>	-
Advertising - <i>Jewish Journal</i>	69,406	-	69,406	-	-	-	<b>69,406</b>	78,128
Change in value of split interest agreements	-	-	-	-	27,474	27,474	<b>27,474</b>	(3,569)
	1,573,138	144,903	1,718,041	897,862	1,410,249	2,308,111	<b>4,026,152</b>	4,172,736
Net assets released from restrictions	149,903	(149,903)	-	573,322	(573,322)	-	-	-
<b>TOTAL OPERATING SUPPORT AND REVENUE</b>	<b>1,723,041</b>	<b>(5,000)</b>	<b>1,718,041</b>	<b>1,471,184</b>	<b>836,927</b>	<b>2,308,111</b>	<b>4,026,152</b>	<b>4,172,736</b>
<b><u>OPERATING EXPENSES</u></b>								
Allocations and awards	630,809	-	630,809	317,712	-	317,712	<b>948,521</b>	939,409
Program services	948,434	-	948,434	-	-	-	<b>948,434</b>	895,510
Supporting services:								
Administration	201,454	-	201,454	-	-	-	<b>201,454</b>	194,927
Fundraising	374,499	-	374,499	-	-	-	<b>374,499</b>	371,299
Endowment	110,869	-	110,869	133,674	-	133,674	<b>244,543</b>	193,652
<b>TOTAL OPERATING EXPENSES</b>	<b>2,266,065</b>	<b>-</b>	<b>2,266,065</b>	<b>451,386</b>	<b>-</b>	<b>451,386</b>	<b>2,717,451</b>	<b>2,594,797</b>
Change in net assets before interfund transfers, campaign allocation to operating fund, and endowment transfers	(543,024)	(5,000)	(548,024)	1,019,798	836,927	1,856,725	<b>1,308,701</b>	1,577,939
Interfund transfers, campaign allocation to operating fund, and endowment transfers	574,977	-	574,977	(576,263)	-	(576,263)	<b>(1,286)</b>	380
<b>CHANGE IN NET ASSETS</b>	<b>31,953</b>	<b>(5,000)</b>	<b>26,953</b>	<b>443,535</b>	<b>836,927</b>	<b>1,280,462</b>	<b>1,307,415</b>	<b>1,578,319</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>963,007</b>	<b>5,000</b>	<b>968,007</b>	<b>2,498,326</b>	<b>16,045,836</b>	<b>18,544,162</b>	<b>19,512,169</b>	<b>17,933,850</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 994,960</b>	<b>\$ -</b>	<b>\$ 994,960</b>	<b>\$ 2,941,861</b>	<b>\$ 16,882,763</b>	<b>\$ 19,824,624</b>	<b>\$ 20,819,584</b>	<b>\$ 19,512,169</b>

The accompanying notes are an integral part of these financial statements.

**JEWISH FEDERATION OF SAN ANTONIO**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2018**  
**(with comparative totals for 2017)**

	Allocations and Awards	Program Services				Total Program Services	Supporting Services			Total Supporting Services	2018 Total	2017 Total
		Community Relations Council	Jewish Journal	Holocaust	Other		Administration	Fundraising	Endowment			
<b>OPERATING EXPENSES</b>												
Salaries	\$ -	\$ 107,512	\$ 52,390	\$ 150,376	\$ 61,106	\$ 371,384	\$ 61,622	\$ 216,832	\$ 85,297	\$ 363,751	\$ 735,135	\$ 788,504
Payroll taxes and benefits	-	18,278	7,653	25,043	7,446	58,420	18,006	45,039	11,810	74,855	133,275	126,196
Total Payroll Expenses	-	125,790	60,043	175,419	68,552	429,804	79,628	261,871	97,107	438,606	868,410	914,700
Program and event expenses	-	12,791	-	122,429	99,505	234,725	3,494	35,172	-	38,666	273,391	271,237
Administrative expenses	-	-	-	-	-	-	27,044	-	133,674	160,718	160,718	83,731
Contract labor	-	13,627	48,099	7,564	3,206	72,496	2,806	35,167	3,174	41,147	113,643	67,241
Occupancy-rent	-	35,488	8,350	18,788	8,350	70,976	7,306	19,831	6,263	33,400	104,376	92,376
Professional fees	-	12,741	2,998	6,745	2,998	25,482	5,573	7,120	2,248	14,941	40,423	34,301
Printing and stationary	-	14	22,182	136	-	22,332	1,427	2,014	-	3,441	25,773	37,837
Maintenance and rentals	-	8,218	1,933	4,351	1,934	16,436	1,692	4,593	1,450	7,735	24,171	17,627
Conferences	-	2,746	-	2,401	409	5,556	13,785	1,399	-	15,184	20,740	21,360
Supplies	-	808	556	3,289	-	4,653	12,920	1,655	-	14,575	19,228	15,457
Journal commissions	-	-	15,539	-	-	15,539	-	-	-	-	15,539	19,572
Publications	-	-	3,300	-	10,580	13,880	1,037	537	-	1,574	15,454	5,146
Postage	-	-	10,931	7	-	10,938	3,837	-	-	3,837	14,775	17,935
Donations to other non-profits	-	-	-	-	12,410	12,410	-	-	-	-	12,410	5,000
Marketing	-	-	-	8,793	-	8,793	766	993	-	1,759	10,552	7,250
IT and network support	-	-	-	-	-	-	8,993	-	-	8,993	8,993	10,934
Depreciation	-	-	-	-	-	-	7,508	-	-	7,508	7,508	4,334
Insurance	-	-	-	-	-	-	7,450	-	-	7,450	7,450	7,832
Data processing	-	-	-	-	-	-	6,942	-	-	6,942	6,942	3,991
Federation web expenses	-	-	-	-	-	-	5,280	-	-	5,280	5,280	4,840
Local travel	-	345	-	720	-	1,065	66	2,893	627	3,586	4,651	1,419
Organization dues	-	2,400	-	200	-	2,600	1,951	-	-	1,951	4,551	1,522
Telephone	-	298	-	300	-	598	1,890	1,254	-	3,144	3,742	3,266
Miscellaneous expenses	-	-	-	-	151	151	59	-	-	59	210	4,642
Bank service charges	-	-	-	-	-	-	-	-	-	-	-	1,625
Interest	-	-	-	-	-	-	-	-	-	-	-	213
Allocations and awards	630,809	215,266	173,931	351,142	208,095	948,434	201,454	374,499	244,543	820,496	1,768,930	1,655,388
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 630,809</b>	<b>\$ 215,266</b>	<b>\$ 173,931</b>	<b>\$ 351,142</b>	<b>\$ 208,095</b>	<b>\$ 948,434</b>	<b>\$ 201,454</b>	<b>\$ 374,499</b>	<b>\$ 562,255</b>	<b>\$ 1,138,208</b>	<b>\$ 2,717,451</b>	<b>\$ 2,594,797</b>

The accompanying notes are an integral part of these financial statements.

**JEWISH FEDERATION OF SAN ANTONIO**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2018**  
**(with comparative totals for 2017)**

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Change in net assets	\$ 26,953	\$ 1,280,462	\$ 1,307,415	\$1,578,319
Adjustments to reconcile changes in net assets to net cash provided by operations:				
Amortization of discount of debt securities	-	13,497	13,497	-
Decrease (Increase) in cash surrender value of life insurance	-	195	195	(1,763)
Interest and dividend income	(3,015)	(158,988)	(162,003)	(163,349)
Net gain on assets held in perpetual trusts	-	(578,607)	(578,607)	(519,384)
Change in value of split interest agreements	-	(27,474)	(27,474)	3,569
Depreciation	7,508	-	7,508	4,334
Changes in assets and liabilities:				
Receivables	3,658	1,457	5,115	(36,163)
Prepaid expenses	(12,531)	-	(12,531)	3,331
Accounts payable	35,654	36,000	71,654	(6,607)
Accrued expenses	(3,048)	-	(3,048)	5,097
Grants and allocations payable	(8,484)	-	(8,484)	(90,060)
Deferred income	(6,000)	-	(6,000)	3,100
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>40,695</b>	<b>566,542</b>	<b>607,237</b>	<b>780,424</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Net change in value of securities	(25,413)	(367,764)	(393,177)	(872,268)
Purchases of leasehold improvements	(1,265)	-	(1,265)	(48,887)
Increase in amounts held for others	-	77,321	77,321	76,331
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(26,678)</b>	<b>(290,443)</b>	<b>(317,121)</b>	<b>(844,824)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>				
(Increase) Decrease in interfund receivables	(158,763)	158,763	-	-
Increase in liabilities under agency relationships	-	17,359	17,359	18,928
Decrease in liabilities under trust and annuity agreements	-	(27,474)	(27,474)	(18,851)
<b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>	<b>(158,763)</b>	<b>148,648</b>	<b>(10,115)</b>	<b>77</b>
<b>NET INCREASE (DECREASE) IN CASH FLOWS</b>	<b>(144,746)</b>	<b>424,747</b>	<b>280,001</b>	<b>(64,323)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>748,163</b>	<b>398,469</b>	<b>1,146,632</b>	<b>1,210,955</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 603,417</b>	<b>\$ 823,216</b>	<b>\$ 1,426,633</b>	<b>\$1,146,632</b>
Supplemental Disclosure:				
Interest	\$ -	\$ -	\$ -	\$ 213

The accompanying notes are an integral part of these financial statements.

**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

Organization

The Jewish Federation of San Antonio (the "Federation") is a Texas not-for-profit organization that conducts an annual fundraising campaign and maintains and manages assets in endowment funds to provide funding for the benefit of local, state, national, and international agencies, and for other programs which serve the San Antonio Jewish community and the community as a whole. Furthermore, the Federation conducts programs and related events in the areas of community relations, Jewish education, Holocaust awareness, Jewish leadership development, and the publication of a monthly newspaper, *The Jewish Journal*.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The accounting records are maintained on a fund accounting basis which establishes separate, self-balancing sets of accounts in order to achieve proper segregation and fair presentation of resources to be used for unspecified and multi-specified purposes.

The major fund groups of the Federation are as follows:

*General Fund* – accounts for the programmatic, administrative, and fundraising activities of the Federation; as well as accounting for all annual campaign funds raised and allocations made annually to provide funding for Federation operations and to provide annual allocations/awards to other local and national not-for-profit organizations.

*Endowment Fund* – accounts for endowment gifts, the investment of endowment assets, and distributions to other funds and outside entities. The endowment fund group also accounts for interests in split interest agreements and trust interests.

Support and revenue are reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)**

**Basis of Presentation**

The Federation is required to report information regarding its financial position and activities according to two classes of net assets.

*Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Trustees (the “Board”) are reported as net assets without donor restrictions, board-designated.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than the Federation’s mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Cash Equivalents**

For purposes of the statement of cash flows, the Federation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Investments**

Investments are stated at fair value based upon quoted market prices, when available, or estimates of fair value, in the statement of financial position. Unrealized gains and losses are included in the statement of activities and changes in net assets. Investment securities received as contributions are sold immediately, with the net proceeds being recognized as a contribution. Other investments, State of Israel bonds, and non-derivative instruments are recorded at their face value and are held to maturity. Investment income, unless restricted by a donor, is available for operating purposes. Marketable investment securities are not required to be collateralized and are held for trade.

The Federation has an investment policy that sets guidelines and constraints to ensure the portfolio is appropriately diversified.

**Pledges Receivable**

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)**

Depreciation

Property and equipment are stated at cost, if purchased, or fair value, if donated. Depreciation is calculated on the straight-line method based on the following estimated useful lives: furniture and equipment - 3 to 10 years and leasehold improvements - 15 to 20 years. The Federation uses a \$1,000 threshold for asset capitalization.

Federal Income Tax

The Federation is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business activities. As such, no provision for federal income taxes has been made in the accompanying financial statements. The Federation is also exempt from sales taxes. As of June 30, 2018, the tax years that remain subject to examination by taxing authorities begin with 2015.

The Federation's policy is to record interest and penalty expense related to income taxes as interest and other expense, respectively. At June 30, 2018 and 2017, no interest or penalties have been or are required to be accrued.

Public Support and Revenue

Contributions are recorded at fair value when the Federation is in possession of or receives an unconditional promise to give. Contributions are recorded as with donor restrictions or without donor restrictions based on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, net assets are reclassified to net assets without restrictions. The Federation's policy is to report restricted support that is satisfied in the year of receipt as restricted and then fully released in the same year.

Unconditional promises to give, or pledges, are recorded in the financial statements when there is sufficient evidence in the form of verifiable documentation that a promise is made and received. Long-term pledges receivable are discounted to an estimated present value.

Contributed services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills, and which would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributed goods are recorded at their fair value in the period received.

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management does not expect the new standard to have a significant impact on its financial position, results of operations and related disclosures.

**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)**

New Accounting Pronouncements (continued)

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2019. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued Accounting Standard Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017 with early adoption encouraged. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expense by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The Federation has early adopted this new pronouncement effective July 1, 2017, and the prior year presentation is conformed.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. Reclassifications were made due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously reported three classes. Net assets, previously classified at June 30, 2017 as “unrestricted” are now classified as “without donor restrictions”. Net assets previously classified as “temporarily restricted” and “permanently restricted” are now classified as “with donor restrictions”. The reclassifications had no effect on the previously reported change in net assets.

In addition, for the year ended June 30, 2017, \$13,856 in investment fee expense that was previously reported separately in the statement of functional expenses was reclassified as a reduction to investment income, and gain on investments of \$667,308 and interest and dividend income of \$149,493 were combined and reported as investment income, net in the statement of activities and changes in net assets. These reclassifications had no effect on the previously reported change in net assets.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses which are allocated on the basis of estimates of time and effort, as well as occupancy-rent, professional fees, maintenance and rentals, and various other expenses which are allocated on square footage or some other reasonable basis.

**JEWISH FEDERATION OF SAN ANTONIO**  
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**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)**

**Contingencies**

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Federation, but which will only be resolved when one or more future events occur or fail to occur. The Federation's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Federation or unasserted claims that may result in such proceedings, the Federation's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Federation's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

**Subsequent Events**

The Federation has evaluated subsequent events through January 2, 2019, the date the financial statements were available to be issued.

**NOTE 2 - FAIR VALUE MEASUREMENTS**

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined 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. *Fair Value Measurements and Disclosures* also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Inputs - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

**JEWISH FEDERATION OF SAN ANTONIO**  
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**NOTE 2 - FAIR VALUE MEASUREMENTS (continued)**

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

The following table represents assets measured at fair value as reported on the statement of financial position as of June 30, as well as by level within the fair value measurement hierarchy:

	<b>Total Fair Value Measurement at June 30, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets:				
Mutual funds	\$ 9,798,713	\$ 9,798,713	\$ -	\$ -
Limited partnership interest	7,453	-	-	7,453
Cash surrender value of life insurance	215,933	-	215,933	-
Beneficial interest in perpetual trusts	9,010,636	-	9,010,636	-
	<b>\$ 19,032,735</b>	<b>\$ 9,798,713</b>	<b>\$ 9,226,569</b>	<b>\$ 7,453</b>
	<b>Total Fair Value Measurement at June 30, 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets:				
Mutual funds	\$ 9,243,055	\$ 9,243,055	\$ -	\$ -
Limited partnership interest	7,453	-	-	7,453
Cash surrender value of life insurance	216,128	-	216,128	-
Beneficial interest in perpetual trusts	8,432,029	-	8,432,029	-
	<b>\$ 17,898,665</b>	<b>\$ 9,243,055</b>	<b>\$ 8,648,157</b>	<b>\$ 7,453</b>

There have been no changes to the balance of Level 3 investments for the years ended June 30, 2018 and 2017.

**NOTE 3 - CONCENTRATIONS OF CREDIT RISK**

The Federation maintains cash in checking and money market accounts at various financial institutions. The Federation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to a maximum of \$250,000. At June 30, 2018 and 2017, the Federation had approximately \$111,340 and \$181,416, respectively, in excess of FDIC insured limits, not including reconciling items. The Federation has not experienced any losses in such accounts.

**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**NOTE 4 - LOAN RECEIVABLE**

On December 9, 2014, the Board of Directors approved an interest-only loan from the Federation to the Campus of the San Antonio Jewish Community (the Campus) in the amount of \$2,000,000, which will be payable over 20 years at a 5-year fixed rate of 1.75% over LIBOR. The loan receivable was \$2,000,000 at June 30, 2018 and 2017.

**NOTE 5 - INVESTMENTS**

Investments at June 30, 2018 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Total</u>
General Fund:			
Mutual funds	\$ -	\$ 452,401	\$ 452,401
State of Israel bonds	15,503	-	15,503
Endowment Fund:			
Mutual funds	-	9,346,314	9,346,314
State of Israel bonds	556,547	-	556,547
Limited partnership interest	-	7,453	7,453
Total investments	<u>\$ 572,050</u>	<u>\$ 9,806,168</u>	<u>\$ 10,378,218</u>

Investments at June 30, 2017 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Total</u>
General Fund:			
Mutual funds	\$ -	\$ 423,973	\$ 423,973
State of Israel bonds	15,503	-	15,503
Endowment Fund:			
Mutual funds	-	8,819,082	8,819,082
State of Israel bonds	543,050	-	543,050
Limited partnership interest	-	7,453	7,453
Total investments	<u>\$ 558,553</u>	<u>\$ 9,250,508</u>	<u>\$ 9,809,061</u>

Investment income for the year ended June 30, 2018 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 76,794	\$ 120,489	\$ 197,283
Realized gains	27,379	47,000	74,379
Unrealized gains	162,459	245,242	407,701
Investment fees	(5,901)	(29,379)	(35,280)
	<u>\$ 260,731</u>	<u>\$ 383,352</u>	<u>\$ 644,083</u>

**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**NOTE 5 - INVESTMENTS (continued)**

Investment income for the year ended June 30, 2017 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 60,560	\$ 102,789	\$ 163,349
Realized gains	81,088	159,114	240,202
Unrealized gains	144,690	282,416	427,106
Investment fees	(2,318)	(11,538)	(13,856)
	<u>\$ 284,020</u>	<u>\$ 532,781</u>	<u>\$ 816,801</u>

**NOTE 6 - PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2018 consisted of the following:

	General Fund	Endowment Fund	Total
Gross amounts due in:			
Unconditional promises to give one year or less	\$ 460,690	\$ 96,128	\$ 556,818
Less allowance for uncollectible promises	(88,613)	(96,128)	(184,741)
Net unconditional promises to give	<u>\$ 372,077</u>	<u>\$ -</u>	<u>\$ 372,077</u>

Pledges receivable at June 30, 2017 consisted of the following:

	General Fund	Endowment Fund	Total
Gross amounts due in:			
Unconditional promises to give one year or less	\$ 479,858	\$ 96,128	\$ 575,986
Less allowance for uncollectible promises	(65,840)	(96,128)	(161,968)
Net unconditional promises to give	<u>\$ 414,018</u>	<u>\$ -</u>	<u>\$ 414,018</u>

**NOTE 7 - INVESTMENT IN REAL ESTATE**

Donated real properties held for investment are recorded at fair market value when fair market can be obtained. A nominal accounting value of \$1 is assigned to those real properties when fair market values cannot be obtained.

**JEWISH FEDERATION OF SAN ANTONIO**  
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**NOTE 8 - LIFE INSURANCE POLICIES**

The Federation is the sole beneficiary and owner of eight life insurance policies. As of June 30, 2018 and 2017, the cash surrender values of these policies, accounted for in the endowment funds, totaled \$215,933 and \$216,128, respectively.

**NOTE 9 - AMOUNTS HELD FOR OTHERS**

Amounts held for others represent assets transferred by other nonprofit corporations to the Federation for investment management. These funds are invested in cash and mutual funds and are carried at fair value. The entity that transferred these assets to the Federation did not convey variance power over their use.

The balance in the asset and liability account as of June 30, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Barshop Maintenance Fund (asset)	<b>\$ 1,100,667</b>	\$ 1,023,346
Barshop Maintenance Fund (liability)	<b>\$ 1,100,667</b>	\$ 1,023,346

**NOTE 10 - ASSETS/LIABILITIES UNDER TRUST AND ANNUITY AGREEMENTS**

The Federation is the remainder beneficiary and trustee of three charitable remainder annuity trusts. As of June 30, 2018 and 2017, the assets of these trusts are comprised of cash, publicly traded mutual funds, and government securities with a total fair value of \$630,737 and \$632,992, respectively. The terms of the trusts provide for total annualized distributions of \$38,793 to the income beneficiaries. Total future distributions to the income beneficiaries, over their expected remaining lives, are discounted to reflect present value using a discount rate of 5.0%. As of June 30, 2018 and 2017, the present value of the future distributions, net of the discounts, totaled \$321,067 and \$332,695, respectively.

In accordance with GAAP, the assets of the trusts are recorded as "assets held in charitable trusts." The present value of future distributions to the beneficiaries, other than to the Federation, is recorded as "liabilities under trust and annuity agreements."

During the years ended June 30, 2018 and 2017, the Federation had seven charitable gift annuity agreements whereby the annuitants are to receive periodic distributions (an annual total of \$50,461) over their lives. The present value of the estimated future distributions over the estimated lives of the annuitants (discounted using a 5.0% discount rate) totaled \$252,615 and \$268,461 as of June 30, 2018 and 2017, respectively. Assets initially received from the annuitants are held in cash and/or in publicly traded mutual funds and are classified on the statement of financial position as a component of cash and cash equivalents and as investments. As of June 30, 2018 and 2017, these assets have a fair value of \$75,906 and \$110,583, respectively.



**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

**NOTE 10 - ASSETS/LIABILITIES UNDER TRUST AND ANNUITY AGREEMENTS (continued)**

A summary of assets and liabilities by agreement type as of June 30, 2018 is as follows:

	<b>Assets Held Under Charitable Gift Annuities</b>	<b>Assets Held in Charitable Trusts</b>	<b>Liabilities Under Trust and Annuity Agreements</b>
Charitable remainder annuity trusts	\$ -	\$ 321,067	\$ 321,067
Annuity agreements	252,615	-	252,615
	<b>\$ 252,615</b>	<b>\$ 321,067</b>	<b>\$ 573,682</b>

A summary of assets and liabilities by agreement type as of June 30, 2017 is as follows:

	<b>Assets Held Under Charitable Gift Annuities</b>	<b>Assets Held in Charitable Trusts</b>	<b>Liabilities Under Trust and Annuity Agreements</b>
Charitable remainder annuity trusts	\$ -	\$ 332,695	\$ 332,695
Annuity agreements	268,461	-	268,461
	<b>\$ 268,461</b>	<b>\$ 332,695</b>	<b>\$ 601,156</b>

**NOTE 11 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS**

The Federation is the income beneficiary of four perpetual trusts (Emma Freeman Foundation, Emma Freeman Trust, Freeman Education Foundation, and the Leonard and Shirley Sterling Charitable Fund) whose assets are held by a financial institution. As of June 30, 2018 and 2017, the assets of these trusts, at fair market, were valued at \$9,010,636 and \$8,432,029, respectively. The Federation's beneficial interest in these trusts (equivalent to the Federation's percentage interest of the fair market value of the underlying assets held in trust) is limited to only the net income generated from the trust assets, as distributed by the trustee. In accordance with GAAP, this amount is included in "contributions receivable from charitable trusts" and "beneficial interest in perpetual trusts", and is classified as perpetually restricted.

The assets of the trusts consist of government securities, mutual funds, equity and debt securities, and real estate.

For the years ended June 30, 2018 and 2017, the fair value of the net assets held in trust increased and decreased, respectively. The Federation's percentage interest in these changes amounted to an increase of \$578,607 and \$519,384, respectively. This increase is recorded as "gain on assets held in perpetual trusts."

**JEWISH FEDERATION OF SAN ANTONIO**  
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**NOTE 12 - LEASEHOLD IMPROVEMENTS**

Leasehold improvements consisted of the following at June 30:

	<b>2018</b>	2017
Leasehold improvements	\$ <b>113,219</b>	\$ 111,954
Less accumulated depreciation	<b>(30,144)</b>	(22,636)
Total	<b>\$ 83,075</b>	\$ 89,318

Depreciation expense was \$7,508 and \$4,334 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 13 - LIABILITIES UNDER AGENCY RELATIONSHIPS**

The Federation holds assets consisting of cash and publicly traded mutual funds, the income from which benefits specified unaffiliated not-for-profit entities. The assets are comprised of cash and investments and are reflected accordingly as such in these financial statements. The Federation does not have variance power over the use of these assets, which are held in perpetuity.

As of June 30, 2018, and 2017, the fair value of these assets and offsetting liability totaled \$293,188 and \$275,829, respectively.

**NOTE 14 - EMPLOYEE BENEFIT PLAN**

The Federation established a "SIMPLE IRA Plan" effective February 1, 2017. All employees receiving at least \$5,000 in compensation during any two prior years and who are reasonably expected to receive at least \$5,000 in compensation during the current year are eligible to participate in the plan. The Federation matches the employee contributions up to 3%, and all contributions are 100% vested. For the years ended June 30, 2018 and 2017, the Federation contributed \$983 and \$-0-, respectively, into the plan.

**NOTE 15 - ALLOCATION AND AWARDS**

At June 30, 2018 and 2017, the Federation had amounts due to the following not-for-profit organizations and programs for allocations awarded from its General Fund:

	<b>2018</b>	2017
Jewish Federations of North America	\$ <b>271,861</b>	\$ 278,721
Jewish Family Service	<b>137,018</b>	137,018
Jewish Community Center	<b>126,194</b>	126,194
Torah Academy of San Antonio	<b>50,000</b>	55,000
Regional and others	<b>45,736</b>	44,323
	<b>\$ 630,809</b>	\$ 641,256

**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

The Federation is contingently at risk with regard to payments to be made to a donor under a charitable gift annuity. The Federation bears the risk should it default on its obligation to make payments to the annuitants (donors) under the terms of the annuity or if the beneficiary annuitant lives longer than the period of time provided for by the charitable gift annuity assets.

The Federation is a guarantor on a note with a financial institution on behalf of the Campus, an affiliated agency. The note is fully collateralized with real estate. The original amount of the guarantee was \$7,100,000. As of June 30, 2018 and 2017, the outstanding balance of the note is \$1,158,333. The note has a balloon payment of all outstanding principal plus all accrued interest due on January 1, 2020. The Campus has been making interest-only payments on the note over the past several years.

**NOTE 17 - CAMPUS OF THE SAN ANTONIO JEWISH COMMUNITY**

The Federation is one of three not-for-profit corporate members who maintain a voting position on the board of the Campus. The Campus is a not-for-profit corporation organized to operate a campus, which houses the operations of its corporate members.

The Federation, in conjunction with the other not-for-profit corporate members, leases space from the Campus under a lease agreement, which expires annually each year on June 30. This lease has been renewed for the 2018 fiscal year. Total rent expense incurred by the Federation under this lease agreement totaled \$104,376 and \$92,376 for the years ended June 30, 2018 and 2017, respectively. Total lease expense is determined annually based upon the estimated total cost of maintaining the Campus facilities and the actual space utilized by the Federation. Commitments to lease space from the Campus are made annually based on a one-year lease period. The monthly rent under this lease agreement totaled \$8,698 and \$7,698 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 18 - INTERFUND TRANSFERS**

For the years ended June 30, 2018 and 2017, the Federation, in accordance with the operating budget and the Board's actions, transferred monies within its respective funds for endowment transfers of \$574,977 and \$179,623, respectively.

**NOTE 19 - OPERATING LEASE**

The Federation had a copier lease that was scheduled to expire in October 2020. The monthly base amount under this lease agreement was \$1,145. In October 2017, this lease agreement was bought out. The new lease agreement is for 63 months with a monthly base rent of \$1,173. Rent expense under this lease for the years ended June 30, 2018 and 2017 was \$21,112 and \$17,073, respectively.

**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 19 - OPERATING LEASE (continued)**

The following is a schedule of the operating lease obligations subsequent to June 30, 2018:

Year Ending June 30,		
2019	\$	18,876
2020		18,876
2021		18,876
2022		9,438
		<hr/>
Total	\$	<u>66,066</u>

**NOTE 20 - NET ASSETS WITH DONOR RESTRICTIONS**

Purpose restricted net assets consisted of the following at June 30:

	<b>2018</b>	<b>2017</b>
Subject to Board appropriation	<b>\$ 1,912,671</b>	\$ 1,784,130
Holocaust Memorial Museum	<b>1,084,024</b>	1,064,920
Scholarships/Jewish education	<b>615,973</b>	594,649
Annual campaign - PACE gifts	<b>496,264</b>	466,963
Senior citizens program	<b>389,791</b>	382,319
Leadership development	<b>152,660</b>	142,798
Religious enhancement	<b>129,820</b>	130,399
Philanthropic giving	<b>151,027</b>	134,144
Library resources/literacy	<b>56,143</b>	57,180
Community relations	<b>79,301</b>	65,087
	<hr/> <b>\$ 5,067,674</b> <hr/>	<hr/> <b>\$ 4,822,589</b> <hr/>

Perpetually restricted net assets consisted of the following at June 30:

	<b>2018</b>	<b>2017</b>
Subject to Board appropriation	<b>\$10,440,985</b>	\$ 9,863,749
Annual campaign - PACE gifts	<b>492,733</b>	491,363
Future allocations and operations	<b>308,402</b>	300,166
Scholarships/Jewish education	<b>256,683</b>	256,683
Community relations	<b>164,596</b>	164,596
Leadership development	<b>83,500</b>	83,500
Holocaust Memorial Museum	<b>50,000</b>	50,000
Religious enhancement	<b>18,190</b>	18,190
	<hr/> <b>\$11,815,089</b> <hr/>	<hr/> <b>\$11,228,247</b> <hr/>

**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 21 - ENDOWMENTS**

The Federation's endowments consist of a number of individual funds established for a variety of purposes. The Federation's endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of the Federation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act ("TXUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation classifies as perpetually 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 if designated by the donor as perpetually restricted, 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 as perpetually restricted net assets is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Federation in a manner consistent with the standard of prudence prescribed by TXUPMIFA.

In accordance with TXUPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Federation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Federation
- The investment policies of the Federation

*Investment Policies and Objectives Governing Endowment Assets*

The Federation, under its investment program, pools the endowment assets to achieve expanded diversification, more cost-efficient investment services, and access to professional management services that could not be achieved due to limited investment fund size. The Federation may select among several asset allocation options. The investment program shall be managed in compliance with all applicable laws, rules, and regulations, including TXUPMIFA.

**JEWISH FEDERATION OF SAN ANTONIO**  
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**NOTE 21 - ENDOWMENTS (continued)**

The Federation acknowledges that the ultimate responsibility for satisfactory investment results rests with its Board. The Board believes this responsibility is best discharged by utilizing the advice of the Federation's Investment Committee and by delegating certain investment authority to certain banks, investment advisors, or investment managers as provided under Section 2.29 of the Texas Non-Profit Corporation Act.

The Federation has established the Investment Committee to provide oversight and review of the investment program. The Investment Committee of the Federation functions in an "advisory role" to the Board of the Federation. With the assistance of investment consultants, the Investment Committee is responsible for monitoring investment results; reviewing and recommending investment policies and strategies; reviewing and recommending investment managers and/or advisors and other fiduciaries; and monitoring the performance of the investment managers, advisors, and other fiduciaries.

*Goals*

The goal of the Federation, with respect to the investment policy, is to preserve and maintain the real purchasing power of the principal of the endowment assets after financial obligations, which consist of the Federation's financial needs and programs and administrative expenses. The desired investment objective is the realization of a long-term total rate of return for invested assets that is approximately 6% greater than the rate of inflation. The target rate of return is based upon the assumption that future real rates of return will be close to historical long run rates of return experienced for each asset class. It shall be the policy to invest assets with a class allocation to equities (50% to 80%), fixed income (20% to 50%), and alternatives (10% to 30%). The asset allocation represents a long-term perspective. As such, rapid and unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside of these ranges. Accordingly, rebalancing among asset classes may be needed and will occur on a monthly basis (if required) to ensure target asset allocations are maintained.

Investments will be diversified within asset classes with the intent to minimize the risk of large losses. The portfolio is comprised primarily of mutual funds that are managed in accordance with the diversification and industry concentration restrictions set forth in the Investment Company Act of 1940.

Investment performance will be reviewed annually to determine the feasibility of achieving the above objective. Performance reviews will focus on comparisons of investment results to appropriate benchmarks, as well as market index returns in both equity and debt markets.

Endowment net asset composition by type of fund as of June 30, 2018 was as follows:

	<b>Without Donor Restrictions</b>	<b>Purpose Restricted</b>	<b>Perpetually Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ (260,486)	\$ 5,067,674	\$ 11,815,089	\$ 16,622,277
Board-designated endowment funds	<u>3,202,445</u>	<u>-</u>	<u>-</u>	<u>3,202,445</u>
	<u>\$ 2,941,959</u>	<u>\$ 5,067,674</u>	<u>\$ 11,815,089</u>	<u>\$ 19,824,722</u>

**JEWISH FEDERATION OF SAN ANTONIO**  
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**NOTE 21 - ENDOWMENTS (continued)**

Endowment net asset composition by type of fund as of June 30, 2017 was as follows:

	Without Donor Restrictions	Purpose Restricted	Perpetually Restricted	Total
Donor-restricted endowment funds	\$ (482,016)	\$ 4,817,589	\$ 11,228,247	\$ 15,563,820
Board-designated endowment funds	2,980,342	-	-	2,980,342
	<u>\$ 2,498,326</u>	<u>\$ 4,817,589</u>	<u>\$ 11,228,247</u>	<u>\$ 18,544,162</u>

Changes in endowment net assets for the year ended June 30, 2018 were as follows:

	Without Donor Restrictions	Purpose Restricted	Perpetually Restricted	Total
Endowment net assets at beginning of year	\$ 2,498,326	\$ 4,817,589	\$ 11,228,247	\$ 18,544,162
Investment return:				
Interest and dividend income	67,878	98,950	8,235	175,063
Net gain on investments	171,003	305,554	-	476,557
Contributions to perpetual endowments	688,449	391,437	-	1,079,886
Gain on perpetual trust assets	-	-	578,607	578,607
Change in split interest agreements	-	27,474	-	27,474
Transfers	85,137	(85,137)	-	-
Amounts appropriated for expenditures	(568,834)	(488,193)	-	(1,057,027)
Endowment net assets at end of year	<u>\$ 2,941,959</u>	<u>\$ 5,067,674</u>	<u>\$ 11,815,089</u>	<u>\$ 19,824,722</u>

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**NOTE 21 - ENDOWMENTS (continued)**

Changes in endowment net assets for the year ended June 30, 2017 were as follows:

	Without Donor Restrictions	Purpose Restricted	Perpetually Restricted	Total
Endowment net assets at beginning of year	\$ 1,860,605	\$ 4,415,698	\$ 10,659,021	\$ 16,935,324
Investment return:				
Interest and dividend income	40,463	93,026	9,763	143,252
Net gain on investments	196,833	401,451	40,079	638,363
Contributions to perpetual endowments	805,526	91,681	-	897,207
Gain on perpetual trust assets	-	-	519,384	519,384
Change in split interest agreements	-	(3,569)	-	(3,569)
Amounts appropriated for expenditures	(405,101)	(180,698)	-	(585,799)
Endowment net assets at end of year	<u>\$ 2,498,326</u>	<u>\$ 4,817,589</u>	<u>\$ 11,228,247</u>	<u>\$ 18,544,162</u>

*Spending Policy*

The distribution rate of the endowment assets that are owned by the Federation will be annually determined by the Board through the budgeting process or during the year on an as-needed basis, other than for donor advised funds. Donor advised funds, although available to the Board for distribution, typically are considered for distribution by the Board upon receipt of an advisement from the donor family which established the fund. Distributions from these funds are not subject to the same spending guidelines applied to the non-donor advised endowment funds. Parameters utilized for all other individual endowment funds are predicated on a net asset approach in determining the amount of funds available for appropriation and distribution. In general, total annual appropriations, not to exceed 5% of the net asset balance of each individual fund as of December 31 of each year, are considered as prudent by the Board with consideration of all factors, including donor restrictions, donor recommendations for donor-advised funds, and the requirements of TXUPMIFA and the Internal Revenue Service.

*Funds with Deficiencies*

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TXUPMIFA requires the Federation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as unrestricted net assets of \$173,253 and \$482,016 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from appropriations greater than investment income due to poor investment returns in recent years. Management expects to recover these deficiencies with future investment returns.



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**NOTE 22 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The Federation has approximately \$3,803,103 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure. This consists of cash and cash equivalents of \$1,426,633, receivables of \$419,186, and investments of \$19,604,788, net of payables of \$764,741 and donor-restricted funds of \$16,882,763 as of year-end. The Federation has a goal to maintain financial assets on hand to meet at least 30 days of normal operating expenses which are, on average, approximately \$226,000 per month, given full programmatic expenditures.