

**JEWISH FEDERATION OF SAN ANTONIO**  
**FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

## **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, 2019 (with comparative totals for 2018), and the related statements of activities and changes in net assets (with comparative totals for 2018), functional expenses (with comparative totals for 2018), and cash flows (with comparative totals for 2018) for the year ended June 30, 2019, 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**

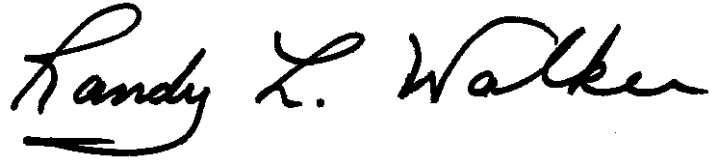
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2019 and 2018, 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 the first name.

San Antonio, Texas  
January 28, 2020

**JEWISH FEDERATION OF SAN ANTONIO**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2019**  
**(with comparative totals for 2018)**

	<b>General Fund</b>	<b>Endowment Fund</b>	<b>2019 Total</b>	<b>2018 Total</b>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 240,232	\$ 326,749	\$ 566,981	\$ 1,426,633
Pledges receivable - net	432,475	-	432,475	372,077
Other receivables	192,295	52	192,347	47,109
Interfund receivables - net	95,427	(95,427)	-	-
Prepaid expenses	33,365	-	33,365	18,180
<b>TOTAL CURRENT ASSETS</b>	<b>993,794</b>	<b>231,374</b>	<b>1,225,168</b>	<b>1,863,999</b>
<b>LONG-TERM ASSETS</b>				
Loan receivable	-	2,000,000	2,000,000	2,000,000
Investments:				
Investments - carried at fair value	772,558	8,501,271	9,273,829	8,387,704
Investments - carried at cost	-	556,547	556,547	572,050
Cash surrender value of life insurance	-	216,127	216,127	215,933
Investment in real estate	1	-	1	1
Amounts held for others	-	910,231	910,231	917,880
Assets held in charitable trusts	-	608,172	608,172	500,584
Beneficial interest in perpetual trusts	-	9,066,957	9,066,957	9,010,636
Leasehold improvements and software - net	159,138	-	159,138	83,075
<b>TOTAL LONG-TERM ASSETS</b>	<b>931,697</b>	<b>21,859,305</b>	<b>22,791,002</b>	<b>21,687,863</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,925,491</b>	<b>\$ 22,090,679</b>	<b>\$ 24,016,170</b>	<b>\$ 23,551,862</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 33,452	\$ -	\$ 33,452	\$ 91,516
Accrued expenses	42,252	-	42,252	42,416
Grants and allocations payable	573,886	-	573,886	630,809
<b>TOTAL CURRENT LIABILITIES</b>	<b>649,590</b>	<b>-</b>	<b>649,590</b>	<b>764,741</b>
Amounts held for others	-	910,231	910,231	1,100,667
Liabilities under agency relationships	-	74,792	74,792	293,188
Liabilities under trust and annuity agreements	-	567,220	567,220	573,682
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>-</b>	<b>1,552,243</b>	<b>1,552,243</b>	<b>1,967,537</b>
<b>TOTAL LIABILITIES</b>	<b>649,590</b>	<b>1,552,243</b>	<b>2,201,833</b>	<b>2,732,278</b>
<b>NET ASSETS</b>				
Without donor restrictions	1,275,901	2,788,914	4,064,815	3,437,800
Total without donor restrictions	<b>1,275,901</b>	<b>2,788,914</b>	<b>4,064,815</b>	<b>3,437,800</b>
With donor restrictions				
Purpose restricted	-	4,237,692	4,237,692	4,162,000
Perpetually restricted	-	13,511,830	13,511,830	13,219,784
Total with donor restrictions	<b>-</b>	<b>17,749,522</b>	<b>17,749,522</b>	<b>17,381,784</b>
<b>TOTAL NET ASSETS</b>	<b>1,275,901</b>	<b>20,538,436</b>	<b>21,814,337</b>	<b>20,819,584</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,925,491</b>	<b>\$ 22,090,679</b>	<b>\$ 24,016,170</b>	<b>\$ 23,551,862</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, 2019**  
**(with comparative totals for 2018)**

	General Fund			Endowment Funds			2019 Total	2018 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	\$ 1,376,714	\$ -	\$ 1,376,714	\$ -	\$ -	\$ -	\$ 1,376,714	\$ 1,254,844
Contributions, grants, and other pledges	6,854	34,530	41,384	539,814	311,390	851,204	892,588	1,122,855
Investment income, net	18,451	-	18,451	167,336	635,782	803,118	821,569	644,083
Program fees and other	127,650	78,000	205,650	-	-	-	205,650	193,552
Gain on assets held in perpetual trusts	-	-	-	-	57,415	57,415	57,415	578,607
Advertising - <i>Jewish Journal</i>	52,573	-	52,573	-	-	-	52,573	69,406
Change in value of split interest agreements	-	-	-	-	6,462	6,462	6,462	27,474
Fundraising, net of direct costs of \$-0- and \$57,158, respectively	-	-	-	-	-	-	-	135,331
	1,582,242	112,530	1,694,772	707,150	1,011,049	1,718,199	3,412,971	4,026,152
Net assets released from restrictions	112,530	(112,530)	-	643,311	(643,311)	-	-	-
<b>TOTAL OPERATING SUPPORT AND REVENUE</b>	<b>1,694,772</b>	<b>-</b>	<b>1,694,772</b>	<b>1,350,461</b>	<b>367,738</b>	<b>1,718,199</b>	<b>3,412,971</b>	<b>4,026,152</b>
<b><u>OPERATING EXPENSES</u></b>								
Allocations and awards	540,604	-	540,604	236,873	-	236,873	777,477	948,521
Program services	907,293	-	907,293	-	-	-	907,293	948,434
Supporting services:								
Administration	229,161	-	229,161	-	-	-	229,161	201,454
Fundraising	235,031	-	235,031	-	-	-	235,031	374,499
Endowment	115,259	-	115,259	163,830	-	163,830	279,089	244,543
<b>TOTAL OPERATING EXPENSES</b>	<b>2,027,348</b>	<b>-</b>	<b>2,027,348</b>	<b>400,703</b>	<b>-</b>	<b>400,703</b>	<b>2,428,051</b>	<b>2,717,451</b>
Change in net assets before interfund transfers, campaign allocation to operating fund, and endowment transfers	(332,576)	-	(332,576)	949,758	367,738	1,317,496	984,920	1,308,701
Interfund transfers, campaign allocation to operating fund, and endowment transfers	613,517	-	613,517	(603,684)	-	(603,684)	9,833	(1,286)
<b>CHANGE IN NET ASSETS</b>	<b>280,941</b>	<b>-</b>	<b>280,941</b>	<b>346,074</b>	<b>367,738</b>	<b>713,812</b>	<b>994,753</b>	<b>1,307,415</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>994,960</b>	<b>-</b>	<b>994,960</b>	<b>2,442,840</b>	<b>17,381,784</b>	<b>19,824,624</b>	<b>20,819,584</b>	<b>19,512,169</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,275,901</b>	<b>\$ -</b>	<b>\$ 1,275,901</b>	<b>\$ 2,788,914</b>	<b>\$ 17,749,522</b>	<b>\$ 20,538,436</b>	<b>\$ 21,814,337</b>	<b>\$ 20,819,584</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, 2019**  
**(with comparative totals for 2018)**

	<u>Program Services</u>					Total Program Services	<u>Supporting Services</u>			Total Supporting Services	2019 Total	2018 Total
	Allocations and Awards	Community Relations Council	Jewish Journal	Holocaust	Other		Administration	Fundraising	Endowment			
<b>OPERATING EXPENSES</b>												
Salaries	\$ -	\$ 113,658	\$ 78,493	\$ 172,954	\$ 186,541	\$ 551,646	\$ 41,150	\$ 126,507	\$ 85,749	\$ 253,406	\$ 805,052	\$ 735,135
Payroll taxes and benefits	-	12,019	8,920	12,157	10,140	43,236	56,997	21,116	13,594	91,707	134,943	133,275
Total Payroll Expenses	-	125,677	87,413	185,111	196,681	594,882	98,147	147,623	99,343	345,113	939,995	868,410
Administrative expenses	-	-	-	-	-	-	14,336	-	163,830	178,166	178,166	160,718
Program and event expenses	-	3,701	-	19,860	57,626	81,187	10,213	16,069	-	26,282	107,469	273,391
Occupancy-rent	-	4,175	8,350	36,532	7,306	56,363	15,113	29,225	3,758	48,096	104,459	104,376
Professional fees	-	-	-	-	40,514	40,514	38,688	-	-	38,688	79,202	40,423
Contract labor	-	-	45,033	505	-	45,538	6,967	115	4,644	11,726	57,264	113,643
Marketing	-	1,118	105	2,097	5,571	8,891	1,500	11,074	-	12,574	21,465	10,552
Maintenance and rentals	-	850	1,700	7,439	1,488	11,477	3,062	5,951	765	9,778	21,255	24,171
IT and network support	-	749	1,498	7,184	1,361	10,792	3,373	5,244	-	8,617	19,409	8,993
Uncollectible receivables	-	-	18,283	-	-	18,283	-	-	-	-	18,283	-
Depreciation	-	-	-	-	-	-	7,508	9,209	-	16,717	16,717	7,508
Supplies	-	235	56	702	208	1,201	10,827	606	2,706	14,139	15,340	19,228
Publications	-	2,858	3,888	225	-	6,971	6,380	90	-	6,470	13,441	15,454
Conferences	-	681	-	915	1,577	3,173	1,819	4,410	1,213	7,442	10,615	20,740
Printing and stationary	-	531	5,022	249	504	6,306	952	1,739	634	3,325	9,631	25,773
Journal commissions	-	-	9,113	-	-	9,113	-	-	-	-	9,113	15,539
Insurance	-	352	704	3,080	616	4,752	1,584	2,464	-	4,048	8,800	7,450
Postage	-	-	4,825	186	-	5,011	1,999	43	1,333	3,375	8,386	14,775
Federation web expenses	-	-	-	-	-	-	3,906	-	-	3,906	3,906	5,280
Telephone	-	250	-	1,004	-	1,254	1,293	385	863	2,541	3,795	3,742
Local travel	-	375	-	507	703	1,585	9	784	-	793	2,378	4,651
Donations to other non-profits	-	-	-	-	-	-	1,160	-	-	1,160	1,160	12,410
Miscellaneous expenses	-	-	-	-	-	-	325	-	-	325	325	210
Data processing	-	-	-	-	-	-	-	-	-	-	-	6,942
Organization dues	-	-	-	-	-	-	-	-	-	-	-	4,551
	-	141,552	185,990	265,596	314,155	907,293	229,161	235,031	279,089	743,281	1,650,574	1,768,930
Allocations and awards	540,604	-	-	-	-	-	-	-	236,873	236,873	777,477	948,521
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 540,604</u>	<u>\$ 141,552</u>	<u>\$ 185,990</u>	<u>\$ 265,596</u>	<u>\$ 314,155</u>	<u>\$ 907,293</u>	<u>\$ 229,161</u>	<u>\$ 235,031</u>	<u>\$ 515,962</u>	<u>\$ 980,154</u>	<u>\$ 2,428,051</u>	<u>\$ 2,717,451</u>

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, 2019**  
**(with comparative totals for 2018)**

	<b>General Fund</b>	<b>Endowment Fund</b>	<b>2019 Total</b>	<b>2018 Total</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Change in net assets	\$ 280,941	\$ 713,812	\$ <b>994,753</b>	\$ 1,307,415
Adjustments to reconcile changes in net assets to net cash (used) provided by operations:				
Amortization of discount of debt securities	-	-	-	13,497
Depreciation	16,717	-	<b>16,717</b>	7,508
Net gain in value of securities	(3,405)	(590,144)	<b>(593,549)</b>	(228,967)
Net gain on assets held in perpetual trusts	-	(57,415)	<b>(57,415)</b>	(578,607)
Change in cash surrender value of life insurance	-	(194)	<b>(194)</b>	195
Change in value of split interest agreements	-	(6,462)	<b>(6,462)</b>	(27,474)
Change in amounts held for others	-	(190,436)	<b>(190,436)</b>	77,321
Change in interfund receivables	36,511	(36,511)	-	-
Change in liabilities under agency relationships	-	(218,396)	<b>(218,396)</b>	17,359
Change in liabilities under trust and annuity agreements	-	(6,462)	<b>(6,462)</b>	(27,474)
Change in assets and liabilities:				
Receivables	(205,584)	(52)	<b>(205,636)</b>	5,115
Prepaid expenses	(15,185)	-	<b>(15,185)</b>	(12,531)
Accounts payable	(22,064)	(36,000)	<b>(58,064)</b>	71,654
Accrued expenses	1,799	-	<b>1,799</b>	(3,048)
Grants and allocations payable	(58,886)	-	<b>(58,886)</b>	(8,484)
Deferred income	-	-	-	(6,000)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>30,844</b>	<b>(428,260)</b>	<b>(397,416)</b>	<b>607,479</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Purchases of securities	(315,046)	(1,064,178)	<b>(1,379,224)</b>	(1,079,886)
Sales of securities	13,797	995,971	<b>1,009,768</b>	753,673
Purchases of leasehold improvements	(92,780)	-	<b>(92,780)</b>	(1,265)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(394,029)</b>	<b>(68,207)</b>	<b>(462,236)</b>	<b>(327,478)</b>
<b>NET (DECREASE) INCREASE IN CASH FLOWS</b>	<b>(363,185)</b>	<b>(496,467)</b>	<b>(859,652)</b>	<b>280,001</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>603,417</b>	<b>823,216</b>	<b>1,426,633</b>	<b>1,146,632</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 240,232</b>	<b>\$ 326,749</b>	<b>\$ 566,981</b>	<b>\$ 1,426,633</b>

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

**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

Organization

The Jewish Federation of San Antonio (the "Federation") is a Texas not-for-profit organization that is the coordinating and convening body dedicated to building the Jewish community, nurturing the quality of Jewish life, and securing a favorable Jewish future in San Antonio, Israel, and worldwide, inspired by Jewish religious teachings. The Federation achieves this by conducting 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* via the Federation's website. Additionally, the Federation 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.

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 not-for-profit 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, 2019 and 2018**

**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, 2019 and 2018**

**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, 2019, the tax years that remain subject to examination by taxing authorities begin with 2016.

The Federation's policy is to record interest and penalty expense related to income taxes as interest and other expense, respectively. At June 30, 2019 and 2018, 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, 2019 and 2018**

**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, 2020. 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 early adopted this new pronouncement effective July 1, 2017.

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 the basis of square footage or some other reasonable basis.

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.

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

Subsequent Events

The Federation has evaluated subsequent events through January 28, 2020, 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.

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, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets:				
Mutual funds	\$ 10,789,026	\$ 10,789,026	\$ -	\$ -
Limited partnership interest	3,152	-	-	3,152
Cash surrender value of life insurance	216,127	-	216,127	-
Beneficial interest in perpetual trusts	9,066,957	-	9,066,957	-
Total fair value	<u>\$ 20,075,262</u>	<u>\$ 10,789,026</u>	<u>\$ 9,283,084</u>	<u>\$ 3,152</u>

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

	Total Fair Value Measurement at June 30, 2018	Level 1	Level 2	Level 3
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	-
Total fair value	<u>\$ 19,032,735</u>	<u>\$ 9,798,713</u>	<u>\$ 9,226,569</u>	<u>\$ 7,453</u>

The Federation had a change of \$(4,301) and \$-0- in asset value of Level 3 investments for the years ended June 30, 2019 and 2018, respectively.

**NOTE 3 – INVESTMENTS**

Investments at June 30, 2019 consisted of the following:

	Cost	Fair Value	Total
General Fund:			
Mutual funds	\$ -	\$ 772,558	\$ 772,558
Endowment Fund:			
Mutual funds	-	10,016,468	10,016,468
State of Israel bonds	556,547	-	556,547
Limited partnership interest	-	3,152	3,152
Total investments	<u>\$ 556,547</u>	<u>\$ 10,792,178</u>	<u>\$ 11,348,725</u>

Investments at June 30, 2018 consisted of the following:

	Cost	Fair Value	Total
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>

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**NOTE 3 – INVESTMENTS (continued)**

Investment income for the year ended June 30, 2019 consisted of the following:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Interest and dividends	\$ 103,401	\$ 134,227	\$ 237,628
Realized gains	174,066	302,587	476,653
Unrealized (losses) gains	(58,647)	204,978	146,331
Investment fees	(33,033)	(6,010)	(39,043)
Total investment income	<u>\$ 185,787</u>	<u>\$ 635,782</u>	<u>\$ 821,569</u>

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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)
Total investment income	<u>\$ 260,731</u>	<u>\$ 383,352</u>	<u>\$ 644,083</u>

**NOTE 4 - 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 per bank. At June 30, 2019 and 2018, the Federation had approximately \$36,185 and \$111,340, respectively, in excess of FDIC insured limits, not including reconciling items. The Federation has not experienced any losses in such accounts.

**NOTE 5 - PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2019 consisted of the following:

	<b>General Fund</b>	<b>Endowment Fund</b>	<b>Total</b>
Gross amounts due in:			
Unconditional promises to give one year or less	\$ 456,590	\$ -	\$ 456,590
Less allowance for uncollectible promises	(24,115)	-	(24,115)
Net unconditional promises to give	<u>\$ 432,475</u>	<u>\$ -</u>	<u>\$ 432,475</u>

**JEWISH FEDERATION OF SAN ANTONIO**  
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**NOTE 5 - PLEDGES RECEIVABLE (continued)**

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

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

**NOTE 6 - 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, 2019 and 2018.

**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.

**NOTE 8 - LIFE INSURANCE POLICIES**

The Federation is the sole beneficiary and owner of ten life insurance policies. As of June 30, 2019 and 2018, the cash surrender values of these policies, accounted for in the endowment funds, totaled \$216,127 and \$215,933, 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 balances in the asset and liability accounts as of June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Barshop Maintenance Fund (asset)	\$ 910,231	\$ 917,880
Barshop Maintenance Fund (liability)	\$ 910,231	\$ 1,100,667

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**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, 2019 and 2018, the assets of these trusts are comprised of cash, publicly traded mutual funds, and government securities with a total fair value of \$608,172 and \$500,584, respectively. The terms of the trusts provide for total annualized distributions of \$38,800 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, 2019 and 2018, the present value of the future distributions, net of the discounts, totaled \$314,605 and \$321,067, 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, 2019 and 2018, the Federation had seven charitable gift annuity agreements whereby the annuitants are to receive periodic distributions (an annual total of \$41,095) 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 as of June 30, 2019 and 2018. 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, 2019 and 2018, these assets have a fair value of \$36,016 and \$75,906, respectively.

A summary of assets and liabilities by agreement type as of June 30, 2019 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	\$ -	\$ 314,605	\$ 314,605
Annuity agreements	252,615	-	252,615
Total assets and liabilities	<u>\$ 252,615</u>	<u>\$ 314,605</u>	<u>\$ 567,220</u>

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
Total assets and liabilities	<u>\$ 252,615</u>	<u>\$ 321,067</u>	<u>\$ 573,682</u>



**JEWISH FEDERATION OF SAN ANTONIO**  
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**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, 2019 and 2018, the assets of these trusts, at fair market, were valued at \$9,066,957 and \$9,010,636, 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, 2019 and 2018, the fair value of the net assets held in trust increased. The Federation's percentage interest in these changes amounted to an increase of \$57,415 and \$578,607, respectively. This increase is recorded as "gain on assets held in perpetual trusts."

**NOTE 12 - LEASEHOLD IMPROVEMENTS AND SOFTWARE**

Leasehold improvements consisted of the following at June 30:

	<b>2019</b>	2018	
Leasehold improvements	\$ 111,279	\$ 113,219	
Software	94,719	-	
Less accumulated depreciation	(46,860)	(30,144)	
Total	<b>\$ 159,138</b>	<b>\$ 83,075</b>	

Depreciation expense was \$16,717 and \$7,508 for the years ended June 30, 2019 and 2018, 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, 2019, and 2018, the fair value of these assets and offsetting liability totaled \$74,792 and \$293,188, respectively.

**JEWISH FEDERATION OF SAN ANTONIO**  
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**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, 2019 and 2018, the Federation contributed \$3,535 and \$983, respectively, into the plan.

**NOTE 15 - ALLOCATIONS AND AWARDS**

At June 30, 2019 and 2018, the Federation had amounts due to the following not-for-profit organizations and programs for allocations awarded from its General Fund:

	<u>2019</u>	<u>2018</u>
Jewish Federations of North America	\$ 226,032	\$ 271,861
Jewish Family Service	134,278	137,018
Jewish Community Center	123,670	126,194
Torah Academy of San Antonio	45,800	50,000
Regional and others	<u>44,106</u>	<u>45,736</u>
Total allocations and awards	<u>\$ 573,886</u>	<u>\$ 630,809</u>

**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, 2019 and 2018, the outstanding balance of the note is \$1,158,333, respectively. 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 - INTERFUND TRANSFERS**

For the years ended June 30, 2019 and 2018, the Federation, in accordance with the operating budget and the Board's actions, transferred monies within its respective funds for endowment transfers of \$613,517 and \$574,977, respectively.

**JEWISH FEDERATION OF SAN ANTONIO**  
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**NOTE 18 - 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 not been renewed for the 2020 fiscal year and has continued on a month-to-month basis. Management does not expect any change in rent upon renewal. Total rent expense incurred by the Federation under this lease agreement totaled \$104,459 and \$104,376 for the years ended June 30, 2019 and 2018, 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 for the years ended June 30, 2019 and 2018.

**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 \$1,573. Rent expense under this lease for the years ended June 30, 2019 and 2018 was \$21,255 and \$21,112, respectively.

The following is a schedule of the operating lease obligations subsequent to June 30, 2019:

Year Ending June 30,			
2020	\$	18,876	
2021		18,876	
2022		9,438	
	Total	\$	<u>47,190</u>

**NOTE 20 - PRIOR YEAR RECLASSIFICATION**

During the year ended June 30, 2019, an evaluation of the endowment fund net assets identified several funds misclassified by purpose and duration. The endowment fund net assets were reviewed and reclassifications were made to correct the purpose and duration of these funds. The effect of this reclassification is a decrease of \$499,021 in endowment fund net assets without donor restrictions, a decrease of \$905,674 in endowment fund net assets with purpose restrictions, and an increase of \$1,404,695 in endowment fund net assets with perpetual restrictions at June 30, 2018. There was no effect on total endowment fund net assets at June 30, 2018.

**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 21 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2019</u>	<u>2018</u>
Subject to Board appropriation	\$ 1,906,670	\$ 1,799,809
Annual campaign - PACE gifts	711,686	693,190
Scholarships/Jewish education	474,645	472,775
Holocaust Memorial Museum	347,430	426,223
Senior citizens program	273,871	269,791
Philanthropic giving	188,826	179,064
Religious enhancement	127,807	129,820
Community relations	88,353	79,302
Leadership development	82,640	76,454
Library resources	35,764	35,572
	<u>\$ 4,237,692</u>	<u>\$ 4,162,000</u>

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

	<u>2019</u>	<u>2018</u>
Subject to Board appropriation	\$ 10,395,424	\$ 10,395,543
Annual campaign - PACE gifts	1,101,968	794,968
Holocaust Memorial Museum	739,200	739,200
Scholarships/Jewish education	377,203	377,203
Future allocations and operations	293,567	308,402
Philanthropic giving	210,611	210,611
Community relations	164,596	164,596
Senior citizens program	120,000	120,000
Leadership development	70,500	70,500
Library resources	20,571	20,571
Religious enhancement	18,190	18,190
	<u>\$ 13,511,830</u>	<u>\$ 13,219,784</u>

**NOTE 22 - MARKETING**

The Federation purchases materials, banners, flyers, and invitations in order to promote events and activities throughout the year. Additionally, the Federation uses outside resources and/or consultants in conjunction with some of these events. These items are expensed as incurred. Marketing expense for the years end June 30, 2019 and 2018 was \$21,465 and \$10,552, respectively.

**JEWISH FEDERATION OF SAN ANTONIO**  
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**NOTE 23 - 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.

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**NOTE 23 - 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, 2019 was as follows:

	<b><u>Without Donor Restrictions</u></b>	<b><u>Purpose Restricted</u></b>	<b><u>Perpetually Restricted</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ (363,210)	\$ 4,237,692	\$ 13,511,830	\$ 17,386,312
Board-designated endowment funds	<b>3,152,124</b>	-	-	<b>3,152,124</b>
Total	<b><u>\$ 2,788,914</u></b>	<b><u>\$ 4,237,692</u></b>	<b><u>\$ 13,511,830</u></b>	<b><u>\$ 20,538,436</u></b>

**JEWISH FEDERATION OF SAN ANTONIO**  
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**NOTE 23 - ENDOWMENTS (continued)**

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

	Without Donor Restrictions	Purpose Restricted	Perpetually Restricted	Total
Donor-restricted endowment funds	\$ (260,584)	\$ 4,162,000	\$ 13,219,784	\$ 17,121,200
Board-designated endowment funds	2,703,424	-	-	2,703,424
Total	<u>\$ 2,442,840</u>	<u>\$ 4,162,000</u>	<u>\$ 13,219,784</u>	<u>\$ 19,824,624</u>

Changes in endowment net assets for the year ended June 30, 2019 were as follows:

	Without Donor Restrictions	Purpose Restricted	Perpetually Restricted	Total
Endowment net assets at beginning of year	\$ 2,442,840	\$ 4,162,000	\$ 13,219,784	\$ 19,824,624
Investment return:				
Interest and dividend income	84,950	128,024	-	212,974
Net gain on investments	115,419	470,924	3,801	590,144
Contributions to perpetual endowments	540,147	22,812	288,245	851,204
Gain on perpetual trust assets	-	57,415	-	57,415
Change in split interest agreements	-	6,462	-	6,462
Amounts appropriated for expenditures	<u>(394,442)</u>	<u>(609,945)</u>	<u>-</u>	<u>(1,004,387)</u>
Endowment net assets at end of year	<u>\$ 2,788,914</u>	<u>\$ 4,237,692</u>	<u>\$ 13,511,830</u>	<u>\$ 20,538,436</u>

**JEWISH FEDERATION OF SAN ANTONIO**  
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**NOTE 23 - ENDOWMENTS (continued)**

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	(568,932)	(488,193)	-	(1,057,125)
Endowment net assets at end of year before reclassifications	2,941,861	5,067,674	11,815,089	19,824,624
Reclassifications	(499,021)	(905,674)	1,404,695	-
Endowment net assets at end of year after reclassifications	<u>\$ 2,442,840</u>	<u>\$ 4,162,000</u>	<u>\$ 13,219,784</u>	<u>\$ 19,824,624</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 \$363,210 and \$260,584 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from appropriations greater than investment income due to poor investment returns or unintended over distribution of the fund. Management expects to recover these market deficiencies with future investment returns, and there is potential to reduce the liability of the charitable gift annuities should the estimates not materialize.



**JEWISH FEDERATION OF SAN ANTONIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 24 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The following reflects the Federation's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use because of donor-imposed restrictions or internal designations that are amounts set aside for operating and other reserves that could be drawn upon if the Federation's Board approves that action.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ <b>566,981</b>	\$ 1,426,633
Investments	<b>20,631,864</b>	19,604,788
Pledges receivable - net	<b>432,475</b>	372,077
Other receivables	<b>192,347</b>	47,109
	<hr/>	<hr/>
Total financial assets	<b>21,823,667</b>	21,450,607
	<hr/>	<hr/>
Donor restrictions	<b>(17,749,522)</b>	(17,381,784)
Financial assets available to meet cash needs for expenditures within one year	<b>\$ 4,074,145</b>	\$ 4,068,823
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The Federation's main sources of cash flows during the year are through the annual campaign, other contributions, and investment income. These sources provide a consistent inflow of cash to provide for the Federation's ongoing operations.