



**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

COMBINED FINANCIAL REPORT

JUNE 30, 2020



ASSURANCE, TAX & ADVISORY SERVICES

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tidewater Jewish Foundation, Inc.
and Supporting Foundations

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Tidewater Jewish Foundation, Inc. and Supporting Foundations (the Foundation), which comprise the combined statement of financial position as of June 30, 2020, and the related combined statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the combined financial statements (collectively, 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 Foundation'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 Foundation'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 Tidewater Jewish Foundation, Inc. and Supporting Foundations as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report of Summarized Comparative Information

We have previously audited the Foundation's 2019 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated November 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

PBMares, LLP

Norfolk, Virginia
November 30, 2020

COMBINED FINANCIAL STATEMENTS

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

**COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019**

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 967,060	\$ 446,154
Accounts receivable	14,127	-
Prepaid expenses	12,654	41,913
Notes receivable	1,832,619	1,850,504
Investments		
Real estate	-	695,000
Split interest agreements	2,162,700	3,602,019
Cash and securities	100,701,615	105,327,966
	<hr/>	<hr/>
Total assets	\$ 105,690,775	\$ 111,963,556
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable		
Trade	\$ 35,501	\$ 19,180
Affiliates' funds	27,819,625	29,731,546
Grants	55,370	34,425
Split interest agreements payable	1,367,013	2,424,177
Deferred revenue	23,500	135,000
	<hr/>	<hr/>
Total liabilities	29,301,009	32,344,328
Net Assets		
Without donor restrictions	35,133,962	36,091,574
With donor restrictions	41,255,804	43,527,654
	<hr/>	<hr/>
Total net assets	76,389,766	79,619,228
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and net assets	\$ 105,690,775	\$ 111,963,556

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

**COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019**

	Without Donor Restrictions	With Donor Restrictions	2020	2019
Support and Revenues				
Support				
Contributions	\$ 4,956,401	\$ 1,307,398	\$ 6,263,799	\$ 6,898,260
Total support	4,956,401	1,307,398	6,263,799	6,898,260
Revenues				
Administrative income	246,901	-	246,901	250,008
Interest, dividend, and other income	550,690	682,326	1,233,016	1,279,416
Realized and unrealized gains (losses)	(265,789)	(1,292,875)	(1,558,664)	1,356,236
Net assets released from restrictions	2,968,699	(2,968,699)	-	-
Total revenues	3,500,501	(3,579,248)	(78,747)	2,885,660
Total support and revenues	8,456,902	(2,271,850)	6,185,052	9,783,920
Expenses				
Program services				
Grants and community programs	7,871,905	-	7,871,905	6,223,880
Non-charitable distributions	129,727	-	129,727	143,376
Total program services	8,001,632	-	8,001,632	6,367,256
Supporting services				
General and administrative	554,605	-	554,605	644,669
Direct fund expenses	548,412	-	548,412	537,130
Fundraising	309,865	-	309,865	296,722
Total supporting services	1,412,882	-	1,412,882	1,478,521
Total expenses	9,414,514	-	9,414,514	7,845,777
Change in net assets	\$ (957,612)	\$ (2,271,850)	\$ (3,229,462)	\$ 1,938,143

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019**

	Program Services	Supporting Services			2020	2019
		General and Administrative	Direct Fund Expenses	Fundraising		
Grants and community programs	\$ 7,871,905	\$ -	\$ -	\$ -	\$ 7,871,905	\$ 6,223,880
Non-charitable distributions	129,727	-	-	-	129,727	143,376
Salaries	-	215,713	-	222,473	438,186	576,223
Direct fund expenses	-	-	548,412	-	548,412	537,130
Office expense and printing	-	43,888	-	-	43,888	53,526
Payroll taxes and benefits	-	43,293	-	34,195	77,488	87,712
Marketing	-	-	-	44,490	44,490	57,488
Professional and consulting fees	-	143,615	-	6,250	149,865	42,950
Travel, meeting, and conference	-	15,806	-	432	16,238	23,377
Occupancy and insurance expense	-	37,889	-	2,025	39,914	39,651
Computer and telephone expense	-	54,401	-	-	54,401	60,464
Total expenses	\$ 8,001,632	\$ 554,605	\$ 548,412	\$ 309,865	\$ 9,414,514	\$ 7,845,777

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

**COMBINED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019**

	Without Donor Restrictions	With Donor Restrictions	2020	2019
Net assets - beginning of year	\$ 36,091,574	\$ 43,527,654	\$ 79,619,228	\$ 77,681,085
Change in net assets	<u>(957,612)</u>	<u>(2,271,850)</u>	<u>(3,229,462)</u>	<u>1,938,143</u>
Net assets - end of year	<u>\$ 35,133,962</u>	<u>\$ 41,255,804</u>	<u>\$ 76,389,766</u>	<u>\$ 79,619,228</u>

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

**COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019**

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (3,229,462)	\$ 1,938,143
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Provision for uncollectible pledge receivable	70,203	-
Realized and unrealized (gains) losses	1,558,664	(1,356,236)
Non-cash contributions	(5,438,700)	(3,037,825)
Changes in assets and liabilities:		
Accounts receivable	(14,127)	6,706
Prepaid expenses	29,259	10,142
Trade accounts payable	16,321	(14,721)
Affiliates' funds payable	(1,911,921)	(870,903)
Grants payable	20,945	1,675
Deferred revenue	(111,500)	-
Net cash used in operating activities	(9,010,318)	(3,323,019)
Cash Flows from Investing Activities		
Repayment of notes receivable	17,885	18,611
Net proceeds from sale of investments	9,513,339	3,328,363
Net cash provided by investing activities	9,531,224	3,346,974
Net change in cash and cash equivalents	520,906	23,955
Cash and Cash Equivalents		
Beginning	446,154	422,199
Ending	\$ 967,060	\$ 446,154
Supplemental Cash Flow Disclosures		
Cash received (paid) for income taxes	\$ 3,916	\$ (52,072)
Supplemental Disclosure of Non-Cash Activities		
Non-cash contributions and changes in value related to split interest agreements, life insurance policies and other donated assets	\$ 1,360,984	\$ 524,580
Donated stock	4,077,716	2,513,245

TIDEWATER JEWISH FOUNDATION, INC. AND SUPPORTING FOUNDATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Organization and Nature of Activities

The Tidewater Jewish Foundation, Inc. (TJF) is a Virginia nonprofit corporation and its supporting foundations are separately incorporated. In addition, TJF is the sole member of two single member limited liability companies, TJF Holdings, LLC (TJF Holdings) and TJF Community Investments, LLC (TJF Community Investments). Effective June 30, 2020, TJF Holdings was dissolved and all interests were assigned to TJF Community Investments. Collectively, TJF, its wholly owned limited liability company and the supporting foundations are referred to as “the Foundation”.

The Foundation operates exclusively for charitable, religious, educational and scientific endeavors and has authorized the establishment of philanthropic funds which are intended to support special needs. These funds are accepted by, and distributions are approved by, the Board of Directors of TJF or the supporting foundations' Boards of Directors. The LLC's were established to receive, hold and dispose of gifts of real property and other illiquid assets, in furtherance of TJF's charitable purposes. The Foundation also consists of funds with and without donor restrictions and affiliate funds (see Note 6 for further definition). All of these fund types are employed to carry out the purposes of the Foundation.

Foundation funds restricted for the benefit of related entities are administered by TJF; however, TJF has no legal access to these funds. In addition, neither TJF nor any other combining entity has the ability to pledge or otherwise encumber the assets of another. TJF provides for all of its affiliates a range of services to include: administration and reporting; solicitation and development; grant making; donor services; education; and the requirement of overseeing the various investment portfolios in accord with TJF's Investment Policy Statement. The supporting foundations are Jewish Family Service Foundation, Inc.; Congregation Beth El Foundation, Inc.; Jewish Community Center of South Hampton Roads Foundation, Inc.; Hebrew Academy of Tidewater Foundation, Inc. (d/b/a Strelitz International Academy Foundation); Temple Israel Foundation, Inc.; Tavia and Freda Gordon Family Foundation, Inc.; Simon Family Foundation; Copeland Family Supporting Organization; and Marie A. Mansbach Memorial Student Motivation Program.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The combined financial statements of TJF, its wholly owned subsidiaries and the supporting foundations, are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The accounts are also maintained in accordance with standards of accounting for voluntary health and welfare organizations.

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's combined financial statements for the year ended June 30, 2019, from which the summarized information was derived.

All gains, losses, income and market value adjustments on investments and other assets are accounted for in the fund which owns such assets.

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Principles of combination: The combined financial statements include the accounts of TJF, its wholly owned subsidiaries, and supporting foundations. All significant inter-organization transactions have been eliminated.

Use of estimates: The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could vary from the estimates that were used.

Functional allocation of expenses: Certain costs of providing various program services have been summarized on a functional basis in the combined statement of activities. The combined statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

Cash and cash equivalents: The Foundation considers highly liquid investments purchased with maturities of less than three months to be cash equivalents.

Notes receivable: Notes receivable represent amounts due to the Foundation and are recorded at cost less any allowance for doubtful accounts. Interest on the notes is recognized when earned in the combined statement of activities. During the year ended June 30, 2020, \$23,500 of interest on notes receivable was received in advance of being earned and is included in deferred revenue in the accompanying combined statement of financial position. Management considers notes receivable to be fully collectible.

Investments: Investments consist of cash and cash equivalents, securities, life insurance, split interest agreements, bonds and certificates of deposit. The majority of investments belonging to the Foundation have been invested in an investment pool in order to maximize return and minimize investment management costs. Revenues arising from the ownership or disposition of pooled investments are allocated to the various funds based on their percentage of ownership of the pool on a days weighted basis. The Foundation's Investment Committee and Board of Directors review and revise the Statement of Investment Policy, as required. Additional information on investments is included in Notes 5 and 13.

Donated assets: Donated assets are recorded at their appraised or fair values as of the date donated. Assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expiration of donor restrictions when the donated assets are placed in service as instructed by the donor and is reclassified from net assets with donor restrictions to net assets without donor restrictions at that time.

Split interest agreements: Split interest agreement assets are recorded at fair value on the date of receipt and are adjusted to fair value on a recurring basis. A liability is also recorded for the present value of the income stream or remainder interest payable to the non-charitable beneficiaries based on the term of the agreement and life expectancy tables. Additional disclosures on split interest agreements have been included in Note 7.

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Contributions and net assets: Contributions are recognized as revenue in the period in which a donor makes an unconditional promise to give. The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The combined financial statements report amounts separately by class, when applicable, as follows.

Without donor restrictions – Without donor restrictions amounts are those currently available at the discretion of TJF’s or the supporting foundations’ Boards of Directors for use in TJF’s or supporting foundations’ unrestricted grants, operations and for the purpose of investing in property and equipment as required to support the organizations. Included in net assets without donor restrictions are board-designated net assets that have been earmarked by TJF’s or the supporting foundations’ Board of Directors for a specified use.

With donor restrictions – With donor restrictions amounts are those which are stipulated by donors for specific operating purposes or future periods or are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation. Donations with donor restrictions, when originally received are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions when the restriction expires or is otherwise satisfied. Revenues restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires or is otherwise satisfied in the fiscal year in which the revenue is recognized.

Revenue recognition: The Foundation derives its revenue from contributions, investment income and administrative income.

Contributions are recognized as revenue in accordance with Financial Accounting Standards Board (FASB) Topic 958 when a donor makes a contribution or promise to give that is unconditional. Investment income is recognized pursuant to FASB Accounting Standards Codification (ASC) 840.

Administrative income is earned through administrative fees generally applied to all established funds under management. Administrative fees are applied using a tier rate structure which varies based on the type of fund and value of each fund’s assets. Income is earned over time and collected quarterly in arrears based on the weighted daily average of the fund’s assets and the determined administrative fee rate.

Advertising and promotion: Advertising and promotion costs are expensed as incurred and amounted to \$44,490 for the year ended June 30, 2020.

Income taxes: TJF and its supporting foundations are qualifying nonprofit entities as defined in section 501(c)(3) of the Internal Revenue Code and are therefore exempt from federal and state income taxes, except on net income generated from unrelated business taxable income.

For the year ended June 30, 2020, the Foundation received a net refund from income taxes associated with investment earnings subject to unrelated business income taxes of \$3,916, which is included in realized and unrealized gains (losses) in the combined statement of activities.

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

FASB ASC Topic 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Foundation's management has evaluated the impact of this guidance to its combined financial statements. The Foundation is not aware of any material uncertain tax positions and has not accrued the effect of any uncertain tax positions as of June 30, 2020. The Foundation's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date the returns are filed.

The Foundation recognizes interest and penalties incurred, if any, related to income tax positions as other interest expense and penalties expense, respectively.

New accounting pronouncements: During the year ended June 30, 2020, the Foundation adopted FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires the Foundation to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaced most existing revenue recognition guidance in U.S. GAAP when it became effective. The Foundation's management has determined that the adoption of this guidance did not result in any transition adjustment nor change the amount of any revenue previously recognized.

During the year ended June 30, 2020, the Foundation adopted FASB ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction would be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The Foundation's management determined that the adoption of this guidance did not result in any changes to existing revenue recognition policies.

Subsequent events: The Foundation has evaluated all events subsequent to June 30, 2020 through November 30, 2020, which is the date these combined financial statements were available to be issued. Management has determined that there are no subsequent events that are required to be disclosed pursuant to FASB ASC.

Note 3. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the combined statement of financial position date for general expenditures, that is, without donor or other restrictions, are as follows:

Cash and cash equivalents	\$ 967,060
Investments redeemable within one year	26,828,391
Total financial assets available for general expenditure within one year	<u>\$ 27,795,451</u>

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Liquidity and Availability of Resources (Continued)

The Foundation receives significant contributions on an annual basis to establish or supplement new funds; the income generated from such investment funds is used to fund grants and programs in accordance with donor intent or at the discretion of the Boards of Directors. The Foundation's core operations are funded primarily through asset-based administrative fees on the charitable funds under management, calculated as a percentage of market value. The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the Foundation invests cash in excess of monthly requirements in short-term investments. Investments redeemable within one year represents amounts invested without restrictions and available for general expenditure. Although the Foundation does not spend from these funds without Board approval, these amounts could be made available if necessary.

Note 4. Notes Receivable

Notes receivable consist of the following at June 30, 2020:

Variable rate note (7.58% at June 30, 2020), payable in annual installments of \$125,000, including interest, due in full December 2028, collateralized by personal guarantee.	\$ 1,490,797
Fixed rate note (2.0% until June 30, 2016, then 4.0% thereafter), payable in monthly installments of \$340 including interest currently, balloon payment due August 2019, collateralized by a deed of trust. Repayment terms are being negotiated.	81,912
Fixed rate note (3.0% until September 30, 2017, then 4.0% thereafter), payable in monthly installments of \$401 including interest currently, balloon payment due October 2019, collateralized by a deed of trust. Repayment terms are being negotiated.	85,717
4.25% note, payable in monthly installments of \$590, including interest, due in full March 2041, collateralized by a deed of trust.	76,132
4.25% note, payable in monthly installments of \$590, including interest, due in full April 2041, collateralized by a deed of trust.	98,061
	<u>\$ 1,832,619</u>

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Notes Receivable (Continued)

Principal maturities are due as follows:

Years	Amounts
2021	\$ 180,473
2022	12,238
2023	12,552
2024	12,879
2025	13,220
Thereafter	1,601,257
	\$ 1,832,619

Note 5. Investments

Investments consist of the following at June 30, 2020:

Split Interest Agreement Assets:

Merrill Lynch (cash and mutual funds)	\$ 1,460,299
New York Life annuity	643,969
Fidelity Investments (cash and mutual funds)	58,432
	2,162,700

Cash and Securities:

Main Investment Pool*	74,985,122
TowneBank (money market funds)	407,124
UBS Financial (money market funds and certificates of deposit)	258,631
Fidelity Investments (cash and mutual funds)	843,680
Cash surrender value of life insurance	2,041,362
Vanguard Funds (mutual funds)	135,531
United Way of South Hampton Roads Foundation*	98,291
Charles Schwab (cash, certificates of deposit and mutual funds)	10,805,760
Pershing Advisor Solutions (cash, fixed income and equity securities, mutual funds and exchange traded funds)	10,990,558
State of Israel Bonds	100,000
City of Virginia Beach Revenue Bonds	35,556
	100,701,615

Total investments	\$ 102,864,315
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*Pooled Accounts

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Investments (Continued)

The fair value of the split interest agreement assets less the related liability is the value of the asset to the Foundation. Limited partnerships and real estate are carried at fair value on the date of donation, but not in excess of current fair value. Additional disclosures on the valuation of investments have been included in Note 13. The main investment pool consists of funds placed with investment custodians, short term certificates of deposit to maintain liquidity and historically gifted bonds held in TJF's name.

Realized and unrealized gains (losses) are shown net of income taxes, as disclosed in Note 2, and investment fees as follows: without donor restrictions and with donor restrictions were \$257,784 and \$283,144, respectively. The main investment pool at June 30, 2020 includes:

Funds invested with Jewish Community Endowment Pool, LLP, managed by the Combined Jewish Philanthropies of Greater Boston, Inc.	\$ 74,550,002
Commercial certificates of deposit	421,535
Money market funds	13,585
	<u>\$ 74,985,122</u>

As of June 30, 2020, TJF has a 5.28% ownership interest in the pooled investment fund of the Jewish Community Endowment Pool, LLP, as managed by the Combined Jewish Philanthropies of Greater Boston, Inc. (the Boston Pool). As of June 30, 2020, the Boston Pool consisted of the following:

Domestic marketable equity funds	12.4%
Non U.S. marketable equity funds	8.2%
Global marketable equity funds	10.2%
Emerging markets marketable equity funds	3.5%
Private equity/venture capital funds	6.6%
Hedged equity/credit funds	35.3%
Credit illiquid funds	7.5%
Real estate – illiquid funds	1.6%
Real assets – illiquid funds	2.0%
Fixed income funds	9.3%
Cash funds	3.4%
	<u>100.0%</u>

The Foundation has no call commitments with respect to the Boston Pool and can generally redeem up to \$1 million monthly upon two weeks' notice.

**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6. Accounts Payable - Affiliates' Funds

Affiliates' funds are established for other entities that have a memorandum of understanding with TJF, which allows the funds of the entity to be combined and invested with the funds of the Foundation. The principal and income of these funds are allocable to the entity and are liabilities of TJF. As stated in Note 1, TJF has no legal right to the fund, or the ability to pledge or encumber the funds. The affiliates' funds consist of the following at June 30, 2020:

United Jewish Federation of Tidewater, Inc.	\$ 1,757,129
Beth Sholom Home of Eastern Virginia Foundation, Inc.	9,328,674
Ohef Sholom Temple (Sisterhood)	107,964
Ohef Sholom Foundation, Inc.	5,764,767
Temple Emanuel Fund	98,890
Helen G. Gifford Foundation, Inc.	3,650,104
Hillel at Virginia Tech, Inc.	5,097
UJFT Community Campus, LLC	7,107,000
	<u>\$ 27,819,625</u>

Note 7. Split Interest Agreements

Charitable Gift Annuities

The Foundation or its affiliates are named remainder beneficiaries under certain charitable gift annuity agreements. In exchange for an initial contribution by a donor, the Foundation, or an affiliate, pays an annual fixed sum benefit to named annuitants throughout their lives. The contributed assets of these gift annuities are recorded at the fair value on the contribution date and a corresponding liability is recorded representing the present value of future payments to the annuitants.

On an annual basis, the Foundation updates the value of the contributed asset to fair value and uses actuarial assumptions to revalue the gift annuity liability to the annuitants. The change in the value of the agreements is also recognized in the combined statement of activities as revenue and support with donor restrictions.

The remeasurement of the liability utilizes the income approach with discounted cash flows, providing a single discounted value for expected payments to annuitants. The discount rates used range from 4.5% to 7.0% and applicable mortality tables.

**TIDEWATER JEWISH FOUNDATION, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS

Note 7. Split Interest Agreements (Continued)

Charitable Remainder Trusts

The Foundation or its affiliates are the named remainder beneficiaries under certain charitable remainder trust agreements. Under these trust agreements, the trusts pay an annual benefit to certain named individuals throughout their lives or for a fixed term, based on a fixed amount calculated at the inception of the trust or a percentage of the fair value of the trust assets as of December 31 each year. Contributions are recognized at fair value on the date of contribution. Further, an associated liability representing the estimated present value of future payments to the individuals named in the trusts is recorded based on actuarial assumptions. Changes in the fair value of such charitable remainder trusts and the associated liabilities are included in the combined statement of activities as revenue and support with donor restrictions. The remeasurement of the liability utilizes the income approach with discounted cash flows, providing a single discounted value for expected payments to beneficiaries. The current Applicable Federal Rate (0.6%) is used as the discount rate to revalue the charitable remainder annuity trusts and the charitable remainder unitrusts.

Note 8. Transactions with Affiliates

The United Jewish Federation of Tidewater, Inc. (Federation), an affiliated organization, is reimbursed for support services that include assistance with TJF's human resources management and payroll processing and totaled \$31,588 for the year ended June 30, 2020. In addition, certain costs including office supplies, printing and postage and reception services are allocated between TJF and Federation. The Federation is also the beneficiary of various donor directed and restricted funds held by the Foundation.

TJF also may award discretionary grants to the Federation from its competitive grant pool. For the year ended June 30, 2020, grant support awarded was \$158,380. At June 30, 2020, there were no grants payable to the Federation. In addition to grants awarded from the Foundation's competitive grants pool, the Federation was one of several community agencies that received an incentive grant award of \$10,000 for obtaining a targeted threshold of new and/or formalized legacy commitments from donor patrons of the Federation under the Foundation's Life & Legacy Program."

TJF occupies office space and receives support services from UJFT Community Campus, L.L.C. (Campus), an affiliate that is wholly-owned by the Federation. Shared facility expense for the year ended June 30, 2020 was \$28,312. TJF also may award discretionary grants to the Campus from its competitive grant pool. For the year ended June 30, 2020, there was no grant support awarded. At June 30, 2020, there were no grants payable to the Campus.

TJF invests funds and provides administrative services for affiliate organizations and receives an administrative fee based on funds invested, including the Federation and Campus, as discussed in Note 6. These assets are carried as investments and a corresponding liability in the accompanying combined statement of financial position. For the year ended June 30, 2020, fees for administrative services for the Federation and Campus were \$16,917 and \$65,211, respectively.

**TIDEWATER JEWISH FOUNDATION, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS

Note 9. Net Assets

Net assets are categorized as net assets without donor restrictions and net assets with donor restrictions as described in Note 2. At June 30, 2020, net assets without donor restrictions included the following:

Designated for future donor-advised grants	\$ 23,399,616
Designated for matching new gifts	588,302
Undesignated	<u>11,146,044</u>
Total net assets without donor restrictions	<u><u>\$ 35,133,962</u></u>

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2020:

Subject to expenditure for specified purpose	\$ 35,695,453
Subject to the passage of time	795,687
Original donor restricted gift amounts to be maintained in perpetuity	<u>4,764,664</u>
Total net assets with donor restrictions	<u><u>41,255,804</u></u>
Total net assets	<u><u>\$ 76,389,766</u></u>

Note 10. Retirement Plan

Employees of TJF are eligible to participate in a retirement plan sponsored by the Federation. The plan is a contributory defined contribution retirement plan covering all employees who meet eligibility requirements. To be eligible for the employer contribution, an employee must be 21 years of age and have completed one year of service. Employer contributions to the plan for the year ended June 30, 2020 included in the Foundation's combined financial statements are \$11,530.

Note 11. Concentrations

At June 30, 2020, and at various times during the year, the Foundation had cash and cash equivalents at a financial institution in excess of insured limits.

In addition, the Foundation also had balances greater than \$500,000 with local offices of national brokers, in money market and investment funds, including various debt and equity instruments of public corporations, the United States government, and the State of Israel, which is in excess of the limit insured by Securities Investor Protection Corporation (SIPC) as of June 30, 2020.

Credit risks related to accounts and notes receivable are concentrated as most of the receivables are due from individuals located in the same geographic region.

**TIDEWATER JEWISH FOUNDATION, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS

Note 12. Commitments and Contingencies

Jewish Family Service Foundation (JFSF), a supporting foundation, guaranteed certain debt of Jewish Family Service, Inc. (JFS) using JFSF net assets without donor restrictions as partial collateral for the debt. As of June 30, 2020, JFSF net assets without donor restrictions of \$1,471,765 are included in net assets without donor restrictions in these combined financial statements. JFSF's guaranty of JFS's debt is limited to a maximum amount of \$710,365. Additionally, JFS and JFSF are indemnitors regarding various court-mandated surety bonds (probate, guardian, and conservator) issued by various insurance companies for PAM (Personal Affairs Management) clients of JFS.

Note 13. Fair Value of Financial Instruments

FASB ASC Topic 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**TIDEWATER JEWISH FOUNDATION, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS

Note 13. Fair Value of Financial Instruments (Continued)

The following table presents the financial instruments, measured within the fair value hierarchy, of the Foundation as of June 30, 2020. Fair value measurements not valued using the practical expedient are categorized into the three-level hierarchy as follows:

	Assets at Fair Value as of June 30, 2020			Total Fair Value
	Level 1	Level 2	Level 3	
Investments in certificates of deposits	\$ -	\$ 1,087,290	\$ -	\$ 1,087,290
*Securities and money market funds	24,307,845	-	-	24,307,845
State of Israel Bonds	-	100,000	-	100,000
City of Virginia Beach Development Authority Revenue Bonds	-	35,556	-	35,556
Cash surrender value of life insurance	-	-	2,041,362	2,041,362
Commercial insurance annuity contracts	-	643,969	-	643,969
Total	\$ 24,307,845	\$ 1,866,815	\$ 2,041,362	28,216,022
Assets measured at net asset value (NAV) or its equivalent				
Funds in the Jewish Community Endowment Pool, LLP				74,550,002
Funds in investment pool managed by the United Way of South Hampton Roads Foundation				98,291
Total investments				<u>\$ 102,864,315</u>

*Includes split interest agreements

**TIDEWATER JEWISH FOUNDATION, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS

Note 13. Fair Value of Financial Instruments (Continued)

Following is a description of the Foundation's valuation methodologies for assets and liabilities measured at fair value:

Fair value for Level 1 is based upon quoted market prices.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Changes in Level 3 instruments during the year are shown on the following page.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the short maturity of these instruments.

The Foundation estimates the fair value of its investment in the Jewish Community Endowment Pool, LLP, managed by the Boston Pool based on the Foundation's proportionate share of the Boston Pool's audited net assets, a method equivalent to net asset value per share (NAV). Accordingly, the investment in the Boston Pool is not subject to the aforementioned fair value hierarchy. The fair value of the Boston Pool's investments in investment funds is measured based on available NAV or its equivalent. These pooled funds are placed with investment managers holding equities and other securities that have active markets as well as alternative investments that are not actively traded. The Boston Pool also includes an allocation to cash to support partners' spending/liquidity needs in addition to strategic investment objectives (partners can generally redeem up to \$1 million monthly upon two weeks' notice).

Additionally, the Foundation estimates the fair value of its investment in the United Way of South Hampton Roads (UWSHR) Foundation based on the Foundation's proportionate share of the UWSHR Foundation's reported investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**TIDEWATER JEWISH FOUNDATION, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS

Note 13. Fair Value of Financial Instruments (Continued)

The following table summarizes the changes during the year to Level 3 investment instruments.

	Limited Liability Entity Interests	Real Estate Interests	Cash Surrender Value of Life Insurance	Total
Fair value, beginning of the year	\$ 69,538	\$ 695,000	\$ 1,837,813	\$ 2,602,351
Net additions and purchases	-	-	303,820	303,820
Subtractions, sales and redemptions	(69,538)	(695,000)	(100,271)	(864,809)
Investment losses included on the combined statement of activities	-	-	-	-
Provision for uncollectible pledges	-	-	-	-
Fair value, end of the year	\$ -	\$ -	\$ 2,041,362	\$ 2,041,362

Note 14. Endowment Funds

The assets of the Foundation and its affiliates consist of approximately 820 separate funds established for a variety of purposes. The Foundation includes both donor-restricted endowment funds and funds designated by the Boards of Directors to function as endowments, as applicable. Net assets associated with endowment funds, including funds designated by the Boards of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Boards of Directors of the Foundation have determined that explicit donor stipulations require the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds in accord with fiduciary standards. Historic dollar value as to any donor-restricted endowment fund means the aggregate fair value of (a) the original value of gifts donated to such fund, (b) the original value of subsequent gifts to such fund, and (c) accumulations to such fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accordingly, the Foundation classifies the historic dollar value of the donor-restricted endowment fund as net assets with donor restrictions. The remaining portion of the donor-restricted endowment fund that is classified in net assets with donor restrictions consists of amounts that are restricted until appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Virginia Uniform Prudent Management Of Institutional Funds Act (UPMIFA) Statute. Notwithstanding the foregoing accounting classifications, unless the gift instrument creating a donor-restricted endowment fund expressly provides otherwise, the Boards of Directors of the Foundation may, as provided by the Virginia UPMIFA Statute, from time to time, appropriate for expenditure such portion of the net assets with donor restrictions as the Foundation determines is prudent, after application of the factors set forth below.

**TIDEWATER JEWISH FOUNDATION, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS

Note 14. Endowment Funds (Continued)

In accordance with the Virginia UPMIFA Statute, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund;
- The purposes of the agency 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 agency; and
- The investment policies of the Foundation.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value of such fund. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2020, funds with original gift values of approximately \$600,000 and \$1,000,000 had deficiencies of approximately \$218,000 and \$31,000, respectively, and are included in net assets with donor restrictions.

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain purchasing power of the endowment assets over the long-term. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor specified period(s) as well as board-designated funds. Under this policy, as approved by the Boards of Directors, the endowment assets are invested in a manner that is intended to produce results that over time will average the level of the approved endowment spending rate plus inflation. Actual results in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation generally targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

Distribution of Earned Income and Spending Policy

The Foundation generally has a policy of appropriating investment income for distribution each year up to 4.0% of its endowment fund's moving average fair value over the prior three (3) years through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considers the long-term expected return of its endowments. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

**TIDEWATER JEWISH FOUNDATION, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS

Note 14. Endowment Funds (Continued)

As indicated in Note 6, funds owned by affiliates are not included in net assets and, as of June 30, 2020, the only current donor restricted endowments are TJF funds. The endowment net asset composition and activity, by type of fund, as presented in the combined financial statements is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 4,816,857	\$ 4,816,857
Investment return:			
Investment income	-	95,502	95,502
Realized and unrealized gains	-	38,516	38,516
Total investment return	-	134,018	134,018
Charitable distributions	(231,637)	-	(231,637)
Fund expenses	(43,294)	-	(43,294)
	(274,931)	134,018	(140,913)
Appropriated for expenditure	274,931	(274,931)	-
Net activity	-	(140,913)	(140,913)
Endowment net assets, end of year	\$ -	\$ 4,675,944	\$ 4,675,944

Note 15. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Foundation.