



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

COMBINED FINANCIAL REPORT

JUNE 30, 2018



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
Virginia Beach, Virginia

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Tidewater Jewish Foundation, Inc. and Supporting Foundations which comprise the combined statement of financial position as of June 30, 2018, 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 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 Tidewater Jewish Foundation, Inc. and Supporting Foundations as of June 30, 2018, 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 Tidewater Jewish Foundation, Inc. and Supporting Foundations' 2017 combined financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PB Mares, LLP

Norfolk, Virginia
November 27, 2018

COMBINED FINANCIAL STATEMENTS

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

**COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 422,199	\$ 677,038
Accounts receivable	6,706	34,608
Prepaid expenses	52,055	43,810
Notes receivable	1,869,115	1,887,987
Investments		
Limited partnerships and real estate	900,000	1,809,361
Split interest agreements	3,886,114	4,641,207
Cash and securities	104,047,756	89,276,541
	<hr/>	<hr/>
Total assets	\$ 111,183,945	\$ 98,370,552
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable		
Trade	\$ 33,901	\$ 9,484
Affiliates' funds	30,602,449	30,506,604
Grants	32,750	11,500
Split interest agreements payable	2,698,760	2,765,405
Deferred revenue	135,000	135,000
	<hr/>	<hr/>
Total liabilities	33,502,860	33,427,993
Net Assets		
Unrestricted	12,412,221	11,799,795
Temporarily restricted	64,268,864	52,142,764
Permanently restricted	1,000,000	1,000,000
	<hr/>	<hr/>
Total net assets	77,681,085	64,942,559
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and net assets	\$ 111,183,945	\$ 98,370,552

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

**COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	Unrestricted	Temporarily Restricted	2018	2017
Support and Revenues				
Support				
Contributions	\$ 516,586	\$ 19,129,620	\$ 19,646,206	\$ 6,583,858
Total support	516,586	19,129,620	19,646,206	6,583,858
Revenues				
Administrative income	275,445	-	275,445	257,260
Interest, dividend, and other income	390,021	842,249	1,232,270	726,057
Realized and unrealized gains	340,993	2,689,706	3,030,699	5,518,446
Net assets released from restrictions	10,535,475	(10,535,475)	-	-
Total revenues	11,541,934	(7,003,520)	4,538,414	6,501,763
Total support and revenues	12,058,520	12,126,100	24,184,620	13,085,621
Expenses				
Program services				
Grants and community programs	9,823,045	-	9,823,045	6,851,713
Non-charitable distributions	180,915	-	180,915	230,962
Total program services	10,003,960	-	10,003,960	7,082,675
Supporting services				
General and administrative	659,069	-	659,069	577,491
Direct fund expenses	535,221	-	535,221	388,212
Fundraising	247,844	-	247,844	265,373
Total supporting services	1,442,134	-	1,442,134	1,231,076
Total expenses	11,446,094	-	11,446,094	8,313,751
Change in net assets	\$ 612,426	\$ 12,126,100	\$ 12,738,526	\$ 4,771,870

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

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	Program Services	Supporting Services			2018	2017
		General and Administrative	Direct Fund Expenses	Fundraising		
Grants and community programs	\$ 9,823,045	\$ -	\$ -	\$ -	\$ 9,823,045	\$ 6,851,713
Non-charitable distributions	180,915	-	-	-	180,915	230,962
Salaries	-	373,168	-	181,711	554,879	513,072
Direct fund expenses	-	-	535,221	-	535,221	388,212
Office expense and printing	-	50,836	-	1,008	51,844	52,578
Payroll taxes and benefits	-	57,713	-	22,139	79,852	74,657
Marketing	-	28,393	-	23,039	51,432	23,682
Professional and consulting fees	-	32,865	-	11,764	44,629	57,282
Travel, meeting, and conference	-	17,357	-	7,943	25,300	27,938
Occupancy and insurance expense	-	39,221	-	-	39,221	40,851
Computer and telephone expense	-	59,516	-	240	59,756	52,804
Total expenses	\$ 10,003,960	\$ 659,069	\$ 535,221	\$ 247,844	\$ 11,446,094	\$ 8,313,751

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

**COMBINED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
Net assets - beginning of year	\$ 11,799,795	\$ 52,142,764	\$ 1,000,000	\$ 64,942,559	\$ 60,170,689
Change in net assets	612,426	12,126,100	-	12,738,526	4,771,870
Net assets - end of year	\$ 12,412,221	\$ 64,268,864	\$ 1,000,000	\$ 77,681,085	\$ 64,942,559

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

**COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 12,738,526	\$ 4,771,870
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized gains	(3,030,699)	(5,518,446)
Non-cash contributions	(14,172,444)	(2,881,929)
Changes in assets and liabilities:		
Accounts receivable	27,902	(27,972)
Pledges receivable, net	-	350
Prepaid expenses	(8,245)	(12,080)
Trade accounts payable	24,417	50
Affiliates' funds payable	95,845	2,997,753
Grants payable	21,250	(52,350)
Net cash used in operating activities	(4,303,448)	(722,754)
Cash Flows From Investing Activities		
Repayment of notes receivable	18,872	22,308
Net proceeds from sale of investments	4,029,737	360,552
Net cash provided by investing activities	4,048,609	382,860
Net change in cash and cash equivalents	(254,839)	(339,894)
Cash and Cash Equivalents		
Beginning	677,038	1,016,932
Ending	\$ 422,199	\$ 677,038
Supplemental Cash Flow Disclosures		
Cash paid for income taxes	\$ 611	\$ 816
Supplemental Disclosure of Non-Cash Activities		
Non-cash contributions related to split interest agreements, life insurance policies and other donated assets	\$ 980,466	\$ 334,808
Donated stock	13,116,978	2,094,421
Donated interest in LLCs	75,000	452,700
Donated real estate	711,000	-
Real estate repurchased/sold in exchange for note receivable	-	129,170

**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). Collectively, TJF, its wholly owned limited liability companies 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 restricted funds, both temporary and permanent, unrestricted funds, and affiliate funds (see Note 5 for further definition), and annuity and life income funds. 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.; Beth El Foundation, Inc.; Jewish Community Center of South Hampton Roads Foundation, Inc.; Hebrew Academy of Tidewater Foundation, Inc.; Temple Israel Foundation, Inc.; Tavia and Freda Gordon Foundation, Inc.; Simon Family Foundation; Copeland Family Foundation 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. 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's combined financial statements for the year ended June 30, 2017, 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.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of combined financial statements in conformity with generally accepted accounting principles 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 expenses: Certain costs of providing various program services have been summarized on a functional basis in the combined statement of activities. 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, 2018, \$135,000 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, limited liability entity interests, real estate interests, 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 investment objectives is included in Note 12.

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 temporarily or permanently restricted contributions. 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 temporarily restricted net assets to unrestricted net assets 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 6.

**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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The combined financial statements report amounts separately by class of asset, when applicable, as follows.

Unrestricted - Unrestricted amounts are those currently available at the discretion of TJJ's or the supporting foundations' boards of directors for use in TJJ's or supporting foundations' unrestricted grants, operations and for the purpose of investing in property and equipment as required to support the organizations.

Temporarily restricted - Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or future periods. Donations temporarily restricted when originally received are reclassified to unrestricted net assets 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 unrestricted net assets if the restriction expires or is otherwise satisfied in the fiscal year in which the revenue is recognized.

Permanently restricted - Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

Advertising and promotion: Advertising and promotion costs are expensed as incurred and amounted to \$51,432 for the year ended June 30, 2018.

Income taxes: TJJ 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, 2018, income taxes associated with investment earnings subject to unrelated business income taxes were \$611 and are included in realized and unrealized gains in the combined statement of activities.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (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, 2018. 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Endowment funds: The Foundation has implemented FASB ASC Topic 958-205-55, which provides, among other things, guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. The Commonwealth of Virginia has adopted UPMIFA. The guidance also requires expanded disclosures surrounding the Foundation's endowment funds which have been included in Note 13.

New accounting pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, intended to improve financial reporting for a not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statement of activities. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early application is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While this ASU will change the presentation of the Foundation's financial statements it is not expected to alter the Foundation's reported financial position or activities.

Note 3. Notes Receivable

Notes receivable consist of the following at June 30, 2018:

Variable rate note (7.97% at June 30, 2018), payable in annual installments of \$125,000, including interest, due in full December 2028, collateralized by personal guarantee	\$ 1,500,797
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	84,098
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	88,749
4.25% note, payable in monthly installments of \$590, including interest, due in full March 2041, collateralized by a deed of trust	91,605
4.25% note, payable in monthly installments of \$590, including interest, due in full April 2041, collateralized by a deed of trust	103,866
	\$ 1,869,115

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

Note 3. Notes Receivable (Continued)

Principal maturities are due as follows:

Years	Amounts
2019	\$ 15,589
2020	180,242
2021	11,539
2022	11,822
2023	12,118
Thereafter	1,637,805
	\$ 1,869,115

Note 4. Investments

Investments consist of the following at June 30, 2018:

Limited partnership interests and real estate:

Various interests in real property	\$ 900,000
	900,000

Split interest agreement assets:

Merrill Lynch (cash and mutual funds)	1,946,748
Charles Schwab (cash and mutual funds)	1,144,157
New York Life annuity	471,289
Limited liability entity interests	255,192
Fidelity Investments (cash and mutual funds)	68,728
	3,886,114

Cash and securities:

Main Investment Pool*	79,888,977
TowneBank (money market funds)	261,468
UBS Financial (money market funds and certificates of deposit)	253,084
Fidelity Investments (cash and mutual funds)	895,346
Cash surrender value of life insurance	1,618,776
Vanguard Funds (mutual funds)	49,465
United Way of South Hampton Roads Foundation*	92,585
Charles Schwab (cash, certificates of deposit and mutual funds)	10,668,321
Pershing Advisor Solutions (cash, fixed income and equity securities, mutual funds and exchange traded funds)	10,284,178
City of Virginia Beach Revenue Bonds	35,556
	104,047,756

Total investments	\$ 108,833,870
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**TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS**

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. 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 12. 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 are shown net of income taxes, as disclosed in Note 2, and investment fees as follows: unrestricted and temporarily restricted were \$67,353 and \$633,386, respectively. The main investment pool at June 30, 2018 includes:

Funds invested with Jewish Community Endowment Pool, LLP, managed by the Combined Jewish Philanthropies of Greater Boston, Inc.	\$ 78,733,363
Commercial certificates of deposit	500,521
Money market funds	653,093
Computershare, fiscal agent for the State of Israel bond program	2,000
	<u>\$ 79,888,977</u>

As of June 30, 2018, TJF has a 5.11% 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, 2018, the Boston Pool consisted of the following:

Domestic marketable equity funds	9.6%
Non U.S. marketable equity funds	6.6%
Global marketable equity funds	8.8%
Emerging markets marketable equity funds	7.3%
Private equity/venture capital funds	3.7%
Absolute return/hedged equity funds	36.8%
Credit liquid funds	2.4%
Credit illiquid funds	2.4%
Real estate – illiquid funds	1.6%
Real assets – illiquid funds	1.8%
Real assets – liquid funds	1.0%
Cash funds	18.0%
	<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 5. 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 funds, or the ability to pledge or encumber the funds. The affiliates' funds consist of the following at June 30, 2018:

United Jewish Federation of Tidewater, Inc.	\$ 1,955,413
Beth Sholom Home of Eastern Virginia Foundation, Inc.	10,893,753
Ohef Sholom Temple - Sisterhood funds	114,974
Ohef Sholom Foundation, Inc.	5,978,857
Temple Emanuel Fund	60,949
Helen G. Gifford Foundation, Inc.	4,059,340
Hillel at Virginia Tech, Inc.	5,247
UJFT Community Campus, LLC	7,533,916
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	\$ 30,602,449
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Note 6. 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 temporarily restricted revenue and support.

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 percent and applicable mortality tables.

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 31st of 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

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

Note 6. Split Interest Agreements (Continued)

and the associated liabilities are included in the combined statement of activities as temporarily restricted revenue and support. 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 (3.4%) is used as the discount rate to revalue the charitable remainder annuity trusts and the charitable remainder unitrusts.

Charitable Lead Trusts

The Foundation is named as a beneficiary of a certain charitable lead trust. Under the terms of the trust agreement, the Foundation receives current annual benefits over the term of the trust with the remaining trust assets at the end of the trust's term being distributed to a third party. For charitable lead trusts where the Foundation acts as trustee, the current fair value of the asset and the corresponding liability, representing the terminal beneficial interest, is recorded on the books of the Foundation. The lead trust assets at June 30, 2018 are valued using the original discount rate of 4.2% and have a remaining term of 2 years. Changes in the value of these gifts are included in the combined statement of activities as temporarily restricted revenue and support.

Note 7. 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 \$35,936 for the year ended June 30, 2018. 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, 2018 grant support awarded was \$101,400. At June 30, 2018, there was \$5,500 in 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 at targeted threshold of new 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, 2018 was \$27,451. TJF also may award discretionary grants to the Campus from its competitive grant pool. For the year ended June 30, 2018 grant support awarded was \$21,857. At June 30, 2018, 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 5. These assets are carried as investments and a corresponding liability in the accompanying combined statement of financial position. For the year ended June 30, 2018 fees for administrative services for the Federation and Campus were \$19,628 and \$73,171, respectively.

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

Note 8. Temporarily Restricted Net Assets

At June 30, 2018, \$1,187,354 of net assets are temporarily restricted by split interest agreements under which the funds will not become available for use until future periods. Substantially all of the remaining restricted funds are temporarily restricted by donors as to the purpose or timing of fund expenditures.

Note 9. 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, 2018 included in the Foundation's combined financial statements are \$14,020.

Note 10. Concentrations

At June 30, 2018, 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, 2018.

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.

Note 11. Commitments and Contingencies

Jewish Family Service Foundation (JFSF), a supporting foundation, guaranteed certain debt of Jewish Family Service, Inc. (JFS) using the JFSF unrestricted net assets as partial collateral for the debt. As of June 30, 2018, the JFSF unrestricted net assets of \$1,398,725 are included in unrestricted net assets 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 12. Fair Value of Financial Instruments

The Foundation has adopted the provisions of FASB ASC Topic 820, "Fair Value Measurements and Disclosures," which defines fair value as the price that would be received to an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. FASB ASC Topic 820 expands disclosures about instruments measured at fair value.

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

Note 12. Fair Value of Financial Instruments (Continued)

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.

The following table presents the financial instruments carried at fair value as of June 30, 2018 by the FASB ASC Topic 820 valuation hierarchy defined above. Fair value measurements not valued using the practical expedient are categorized into the three-level hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Fair Value
Investments in certificates of deposits	\$ -	\$ 1,015,071	\$ -	\$ 1,015,071
*Securities and money market funds	25,710,038	-	-	25,710,038
State of Israel Bonds	-	2,000	-	2,000
City of Virginia Beach Development Authority Revenue Bonds	-	35,556	-	35,556
*Limited liability entity interests	-	-	255,192	255,192
Real estate interests	-	-	900,000	900,000
Cash surrender value of life insurance	-	-	1,618,776	1,618,776
Commercial insurance annuity contracts	-	471,289	-	471,289
Total	\$ 25,710,038	\$ 1,523,916	\$ 2,773,968	30,007,922

**Assets measured at net asset value
or its equivalent**

Funds in the Jewish Community Endowment Pool, LLP	78,733,363
Funds in investment pool managed by the United Way of South Hampton Roads Foundation	92,585
Total investments	\$ 108,833,870

*includes split interest agreements

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

Note 12. 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 carrying value of notes receivable is cost less a provision for uncollectible notes.

The Foundation estimates the fair value of its investment in the Jewish Community Endowment Pool, LLP, managed by the Combined Jewish Philanthropies of Greater Boston (the Boston Pool) based on the Foundation's proportionate share of the Boston Pool's audited net assets, a method equivalent to 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 net asset value per share (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 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 12. 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	\$ 602,100	\$ 1,480,000	\$ 1,776,719	\$ 3,858,819
Net additions and purchases	75,000	711,000	202,821	988,821
Subtractions, sales and redemptions	(342,780)	(1,391,000)	(360,764)	(2,094,544)
Interest, dividends and other income (loss), net of investment expenses, included on the combined statement of activities	(17,547)	-	-	(17,547)
Net realized and unrealized gains and losses included on the combined statement of activities	(61,581)	100,000	-	38,419
Fair value, end of the year	\$ 255,192	\$ 900,000	\$ 1,618,776	\$ 2,773,968

Note 13. Endowment Funds

The assets of the Foundation and its affiliates consist of approximately 800 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 permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Virginia 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 permanently restricted net assets as the Foundation determines they are prudent, after application of the factors set forth below.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 13. 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
- 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 generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficits as of June 30, 2018 as a result of unfavorable market fluctuations.

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 4.25% 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 13. Endowment Funds (Continued)

As indicated in Note 5, funds owned by affiliates are not included in net assets and, as of June 30, 2018, the only current permanently restricted endowment is a TJF fund. The endowment net asset composition and activity of TJF, by type of fund, as presented in the combined financial statements is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 50,550	\$ 1,000,000	\$ 1,050,550
Investment return:				
Investment income	-	7,740	-	7,740
Realized and unrealized gains	-	57,402	-	57,402
Total investment return	-	65,142	-	65,142
Charitable distributions	(42,397)	-	-	(42,397)
Fund expenses	(10,659)	-	-	(10,659)
	(53,056)	65,142	-	12,086
Appropriated for expenditure	53,056	(53,056)	-	-
Net activity	-	12,086	-	12,086
Endowment net assets, end of year	\$ -	\$ 62,636	\$ 1,000,000	\$ 1,062,636

Note 14. Subsequent Events

The Foundation has evaluated all events subsequent to November 27, 2018, 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 in accordance with U.S. generally accepted accounting principles.