TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS

COMBINED FINANCIAL REPORT

JUNE 30, 2019

PBMares[SM]

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 which comprise the combined statement of financial position as of June 30, 2019, 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, 2019, 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' 2018 combined financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

PBMares, LLP

Norfolk, Virginia
November 25, 2019

COMBINED FINANCIAL STATEMENTS

TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS

COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019	2018
ASSETS		
Cash and cash equivalents	**$ 446,154**	$ 422,199
Accounts receivable	**-**	6,706
Prepaid expenses	**41,913**	52,055
Notes receivable	**1,850,504**	1,869,115
Investments		
Real estate	**695,000**	900,000
Split interest agreements	**3,602,019**	3,886,114
Cash and securities	**105,327,966**	104,047,756
Total assets	**$ 111,963,556**	$ 111,183,945
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable		
Trade	**$ 19,180**	$ 33,901
Affiliates' funds	**29,731,546**	30,602,449
Grants	**34,425**	32,750
Split interest agreements payable	**2,424,177**	2,698,760
Deferred revenue	**135,000**	135,000
Total liabilities	**32,344,328**	33,502,860
Net Assets (2018 as restated)		
Without donor restrictions	**36,091,574**	36,275,710
With donor restrictions	**43,527,654**	41,405,375
Total net assets	**79,619,228**	77,681,085
Total liabilities and net assets	**$ 111,963,556**	$ 111,183,945

TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS

COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions	With Donor Restrictions	**2019**	2018
Support and Revenues				
Support				
Contributions	$ 4,222,147	$ 2,676,113	**$ 6,898,260**	$ 18,157,251
Total support	4,222,147	2,676,113	**6,898,260**	18,157,251
Revenues				
Administrative income	250,008	-	**250,008**	275,445
Interest, dividend, and other income	550,969	728,447	**1,279,416**	1,232,270
Realized and unrealized gains (losses)	(233,108)	1,589,344	**1,356,236**	3,030,699
Net assets released from restrictions	2,871,625	(2,871,625)	**-**	-
Total revenues	3,439,494	(553,834)	**2,885,660**	4,538,414
Total support and revenues	7,661,641	2,122,279	**9,783,920**	22,695,665
Expenses				
Program services				
Grants and community programs	6,223,880	-	**6,223,880**	8,334,090
Non-charitable distributions	143,376	-	**143,376**	180,915
Total program services	6,367,256	-	**6,367,256**	8,515,005
Supporting services				
General and administrative	644,669	-	**644,669**	659,069
Direct fund expenses	537,130	-	**537,130**	535,221
Fundraising	296,722	-	**296,722**	247,844
Total supporting services	1,478,521	-	**1,478,521**	1,442,134
Total expenses	7,845,777	-	**7,845,777**	9,957,139
Change in net assets	$ (184,136)	$ 2,122,279	**$ 1,938,143**	$ 12,738,526

TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

		Supporting Services				
	Program Services	General and Administrative	Direct Fund Expenses	Fundraising	**2019**	2018
Grants and community programs	$ 6,223,880	$ -	$ -	$ -	**$ 6,223,880**	$ 8,334,090
Non-charitable distributions	143,376	-	-	-	**143,376**	180,915
Salaries	-	384,749	-	191,474	**576,223**	554,879
Direct fund expenses	-	-	537,130	-	**537,130**	535,221
Office expense and printing	-	45,066	-	8,460	**53,526**	51,844
Payroll taxes and benefits	-	61,924	-	25,788	**87,712**	79,852
Marketing	-	-	-	57,488	**57,488**	51,432
Professional and consulting fees	-	36,700	-	6,250	**42,950**	44,629
Travel, meeting, and conference	-	16,115	-	7,262	**23,377**	25,300
Occupancy and insurance expense	-	39,651	-	-	**39,651**	39,221
Computer and telephone expense	-	60,464	-	-	**60,464**	59,756
Total expenses	$ 6,367,256	$ 644,669	$ 537,130	$ 296,722	**$ 7,845,777**	$ 9,957,139

See Notes to Combined Financial Statements

TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS

COMBINED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions	With Donor Restrictions	**2019**	2018
Net assets - beginning of year	$ 12,412,221	$ 65,268,864	**$ 77,681,085**	$ 64,942,559
Restatement of prior year net assets	23,863,489	(23,863,489)	**-**	-
Net assets - beginning of year, as restated	36,275,710	41,405,375	**77,681,085**	64,942,559
Change in net assets	(184,136)	2,122,279	**1,938,143**	12,738,526
Net assets - end of year	$ 36,091,574	$ 43,527,654	**$ 79,619,228**	$ 77,681,085

TIDEWATER JEWISH FOUNDATION, INC.
AND SUPPORTING FOUNDATIONS

COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

		2019		2018
Cash Flows From Operating Activities				
Change in net assets	**$**	**1,938,143**	$	12,738,526
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Realized and unrealized gains		**(1,356,236)**		(3,030,699)
Non-cash contributions		**(3,037,825)**		(14,172,444)
Changes in assets and liabilities:				
Accounts receivable		**6,706**		27,902
Prepaid expenses		**10,142**		(8,245)
Trade accounts payable		**(14,721)**		24,417
Affiliates' funds payable		**(870,903)**		95,845
Grants payable		**1,675**		21,250
Net cash used in operating activities		**(3,323,019)**		(4,303,448)
Cash Flows From Investing Activities				
Repayment of notes receivable		**18,611**		18,872
Net proceeds from sale of investments		**3,328,363**		4,029,737
Net cash provided by investing activities		**3,346,974**		4,048,609
Net change in cash and cash equivalents		**23,955**		(254,839)
Cash and Cash Equivalents				
Beginning		**422,199**		677,038
Ending	**$**	**446,154**	$	422,199
Supplemental Cash Flow Disclosures				
Cash paid for income taxes	**$**	**52,072**	$	611
Supplemental Disclosure of Non-Cash Activities				
Non-cash contributions related to split interest agreements, life insurance policies and other donated assets	**$**	**524,580**	$	980,466
Donated stock		**2,513,245**		13,116,978
Donated interest in LLCs		**-**		75,000
Donated real estate		**-**		711,000

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 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.; 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, 2018, 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.

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 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, 2019, $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 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.

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.

Advertising and promotion: Advertising and promotion costs are expensed as incurred and amounted to $57,488 for the year ended June 30, 2019.

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, 2019, income taxes associated with investment earnings subject to unrelated business income taxes were $52,072 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, 2019. 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.

Note 2. Summary of Significant Accounting Policies (Continued)

New accounting pronouncements: During the year ended June 30, 2019, the Foundation adopted, FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to improve financial reporting for a not-for-profit entity. The ASU reduces the prior 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.

Subsequent Events: The Foundation has evaluated all events subsequent to November 25, 2019, which is the date these combined financial statements were available to be issued. Management has determined the following event that occurred subsequent to year-end is required to be disclosed in accordance with U.S. generally accepted accounting principles:

On July 31, 2019, the Foundation sold its remaining holdings in real estate, located in Newport News, Virginia, for $695,000. The value of the properties at June 30, 2019 was adjusted to reflect the contracted sale price.

Reclassifications: Certain reclassifications have been made to the 2018 comparative totals to correspond to the current year's format. These reclassifications have no effect on the previously reported 2018 change in net assets.

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, are as follows:

Cash and cash equivalents	$	446,154
Investments redeemable within one year		35,178,008
Endowment spending rate appropriations		123,762
Total financial assets available for general expenditure within one year	$	35,747,924

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, 2019:

Variable rate note (7.58% at June 30, 2019), payable in annual installments of $125,000, including interest, due in full December 2028, collateralized by personal guarantee.	$	1,495,797
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. Monthly payments continue while repayment terms are being negotiated.		82,229
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. Monthly payments continue while repayment terms are being negotiated.		86,356
4.25% note, payable in monthly installments of $590, including interest, due in full March 2041, collateralized by a deed of trust.		85,210
4.25% note, payable in monthly installments of $590, including interest, due in full April 2041, collateralized by a deed of trust.		100,912
	$	1,850,504

Principal maturities are due as follows:

Years		Amounts
2020	$	180,511
2021		11,677
2022		11,967
2023		12,268
2024		12,583
Thereafter		1,621,498
	$	1,850,504

Note 5. Investments

Investments consist of the following at June 30, 2019:

Real estate:	
Various interests in real property	$ 695,000
	695,000
Split interest agreement assets:	
Merrill Lynch (cash and mutual funds)	1,899,192
Charles Schwab (cash and mutual funds)	1,067,879
New York Life annuity	497,546
Limited liability entity interests	69,538
Fidelity Investments (cash and mutual funds)	67,864
	3,602,019
Cash and securities:	
Main Investment Pool*	81,112,160
TowneBank (money market funds)	221,692
UBS Financial (money market funds and certificates of deposit)	258,790
Fidelity Investments (cash and mutual funds)	865,586
Cash surrender value of life insurance	1,837,813
Vanguard Funds (mutual funds)	55,970
United Way of South Hampton Roads Foundation*	97,049
Charles Schwab (cash, certificates of deposit and mutual funds)	10,335,915
Pershing Advisor Solutions (cash, fixed income and equity securities, mutual funds and exchange traded funds)	10,507,435
City of Virginia Beach Revenue Bonds	35,556
	105,327,966
Total investments	$ 109,624,985

*Pooled Accounts

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.

Note 5. Investments (Continued)

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 $227,908 and $285,256, respectively. The main investment pool at June 30, 2019 includes:

Funds invested with Jewish Community Endowment Pool, LLP, managed by the Combined Jewish Philanthropies of Greater Boston, Inc.	$	80,276,591
Commercial certificates of deposit		417,091
Money market funds		418,478
	$	81,112,160

As of June 30, 2019, TJF has a 5.29% 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, 2019, the Boston Pool consisted of the following:

Domestic marketable equity funds	9.5%
Non U.S. marketable equity funds	6.5%
Global marketable equity funds	9.1%
Emerging markets marketable equity funds	6.3%
Private equity/venture capital funds	5.1%
Absolute return/hedged equity funds	36.2%
Credit liquid funds	3.4%
Credit illiquid funds	3.3%
Real estate – illiquid funds	1.6%
Real assets – illiquid funds	2.0%
Real assets – liquid funds	0.4%
Fixed income funds	12.2%
Cash funds	4.4%
	100.0%

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.

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 funds, or the ability to pledge or encumber the funds. The affiliates' funds consist of the following at June 30, 2019:

United Jewish Federation of Tidewater, Inc.	$	1,907,448
Beth Sholom Home of Eastern Virginia Foundation, Inc.		10,248,720
Ohef Sholom Temple - Sisterhood funds		113,347
Ohef Sholom Foundation, Inc.		6,080,484
Temple Emanuel Fund		84,924
Helen G. Gifford Foundation, Inc.		3,947,532
Hillel at Virginia Tech, Inc.		5,302
UJFT Community Campus, LLC		7,343,789
	$	29,731,546

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.

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

Note 7. Split Interest Agreements (Continued)

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 (2.8%) 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, 2019 are valued using the original discount rate of 4.2% and have a remaining term of less than 1 year. Changes in the value of these gifts are included in the combined statement of activities as revenue and support with donor restrictions.

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, marketing and payroll processing and totaled $39,061 for the year ended June 30, 2019. 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, 2019 grant support awarded was $105,608. At June 30, 2019, there was 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 $10,250 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, 2019 was $27,627. TJF also may award discretionary grants to the Campus from its competitive grant pool. For the year ended June 30, 2019, grant support awarded was $47,923. At June 30, 2019, 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, 2019, fees for administrative services for the Federation and Campus were $17,510 and $65,451, respectively.

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, 2019, net assets without donor restrictions included the following:

Designated for future donor-advised grants	$	24,448,996
Designated for matching new gifts		611,056
Undesignated		11,031,522
Total net assets without donor restrictions		36,091,574

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2019:

Subject to expenditure for specified purpose		37,532,955
Subject to the passage of time		1,177,842
Unappropriated endowment investment earnings		52,193
Original donor restricted gift amounts to be maintained in perpetuity		4,764,664
Total net assets with donor restrictions		43,527,654
Total net assets	$	79,619,228

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, 2019 included in the Foundation's combined financial statements are $16,630.

Note 11. Concentrations

At June 30, 2019, 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, 2019.

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 12. Commitments and Contingencies

Jewish Family Service Foundation (JFSF), a supporting foundation, guaranteed certain debt of Jewish Family Service, Inc. (JFS) using the JFSF net assets without donor restrictions as partial collateral for the debt. As of June 30, 2019, the JFSF net assets without donor restrictions of $1,416,704 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

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.

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.

Note 13. Fair Value of Financial Instruments (Continued)

The following table presents the financial instruments carried at fair value as of June 30, 2019 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	$ -	$ 897,573	$ -	$ 897,573
*Securities and money market funds	25,218,319	-	-	25,218,319
City of Virginia Beach Development Authority Revenue Bonds	-	35,556	-	35,556
*Limited liability entity interests	-	-	69,538	69,538
Real estate interests	-	-	695,000	695,000
Cash surrender value of life insurance	-	-	1,837,813	1,837,813
Commercial insurance annuity contracts	-	497,546	-	497,546
Total	$ 25,218,319	$ 1,430,675	$ 2,602,351	29,251,345
Assets measured at net asset value or its equivalent				
Funds in the Jewish Community Endowment Pool, LLP				80,276,591
Funds in investment pool managed by the United Way of South Hampton Roads Foundation				97,049
Total investments				$ 109,624,985

*includes split interest agreements

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 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.

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	$ 255,192	$ 900,000	$ 1,618,776	$ 2,773,968
Net additions and purchases	-	-	249,997	249,997
Subtractions, sales and redemptions	-	-	(30,960)	(30,960)
Investment losses included on the combined statement of activities	(185,654)	-	-	(185,654)
Provision for uncollectible pledges	-	(205,000)	-	(205,000)
Fair value, end of the year	$ 69,538	$ 695,000	$ 1,837,813	$ 2,602,351

Note 14. 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 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 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.

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
- 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 net assets with donor restrictions. As of June 30, 2019, a fund with an original gift value of approximately $600,000 had a deficiency of approximately $206,000 and is 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 4.25% 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. Effective. July 1, 2019, the Board of Directors approved a reduction in the spending rate to 4.0%. 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.

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, 2019, 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 as restated	$ -	$ 4,778,430	$ 4,778,430
Investment return:			
Investment income	-	91,022	91,022
Realized and unrealized gains	-	144,977	144,977
Total investment return	-	235,999	235,999
Charitable distributions	(154,577)	-	(154,577)
Fund expenses	(42,995)	-	(42,995)
	(197,572)	235,999	38,427
Appropriated for expenditure	197,572	(197,572)	-
Net activity	-	38,427	38,427
Endowment net assets, end of year	$ -	$ 4,816,857	$ 4,816,857

Note 15. Restatement

The June 30, 2018 combined financial statements have been restated to correct a misstatement related to the net asset classification of certain donor advised funds. Management determined that net assets associated with certain donor advised funds were previously included in net assets with donor restrictions and should have been included in net assets without donor restrictions. As a result, beginning net assets with donor restrictions in the accompanying combined financial statements totaling approximately $23,900,000 has been reclassified to net assets without donor restrictions. In addition, management determined during this review of donor advised funds that certain net assets associated with two donor advised funds contained donor imposed restrictions that would classify them as endowed funds. The net assets associated with these two endowed funds were not included in the endowment funds footnote in the prior year. As a result, endowment net assets as of June 30, 2018 included in Note 14 have been restated to include these funds, resulting in an increase of approximately $3,700,000 as of that date.