Still | Burton LLP
CERTIFIED PUBLIC ACCOUNTANTS

JEWISH FAMILY SERVICE OF GREATER DALLAS FOUNDATION (D.B.A. JEWISH FAMILY SERVICE FOUNDATION)

Combined Financial Statements
(With Independent Auditor's Report Thereon)

July 31, 2017 and 2016

JEWISH FAMILY SERVICE OF GREATER DALLAS FOUNDATION
Index to the Combined Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Jewish Family Service of Greater Dallas Foundation:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Jewish Family Service of Greater Dallas Foundation (a nonprofit organization), which comprise the combined statements of financial position as of July 31, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Jewish Family Service of Greater Dallas Foundation as of July 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

STILL BURTON LLP

Still Burton LLP

Dallas, Texas
December 18, 2017

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JEWISH FAMILY SERVICE OF GREATER DALLAS FOUNDATION
Combined Statements of Financial Position
July 31, 2017 and 2016

		2017		2016
ASSETS				
Cash and cash equivalents	$	625,179	$	422,273
Investments held in trust		503,746		464,313
Real estate investment property, net		952,510		985,955
TOTAL ASSETS	$	2,081,435	$	1,872,541
LIABILITIES AND NET ASSETS				
Accounts payable	$	1,669	$	15,237
Total liabilities		1,669		15,237
Net assets:				
Unrestricted		119,816		108,873
Temporarily restricted		837,282		753,427
Permanently restricted		1,122,668		995,004
Total net assets		2,079,766		1,857,304
TOTAL LIABILITIES AND NET ASSETS	$	2,081,435	$	1,872,541

See accompanying notes and independent auditor's report.

JEWISH FAMILY SERVICE OF GREATER DALLAS FOUNDATION

Combined Statement of Activities

Year Ended July 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Revenue:				
Contributions	$ 8,289	$ 65,491	$ 103,412	$ 177,192
Rental income	4,045	27,990	36,965	69,000
Investment income (loss)	2,641	18,273	24,132	45,046
Total revenue	14,975	111,754	164,509	291,238
Net Assets Released from Restrictions	64,744	(27,899)	(36,845)	-
Total support and revenues	79,719	83,855	127,664	291,238
Expenses:				
Management and general	68,776			68,776
Total expenses	68,776	-	-	68,776
Change in net assets	10,943	83,855	127,664	222,462
Net assets at beginning of year	108,873	753,427	995,004	1,857,304
Net assets at end of year	$ 119,816	$ 837,282	$ 1,122,668	$ 2,079,766

JEWISH FAMILY SERVICE OF GREATER DALLAS FOUNDATION

Combined Statement of Activities

Year Ended July 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Revenue:				
Contributions	$ 51,412	$ 43,788	$ 115,395	$ 210,595
Rental income	35,798	-	-	35,798
Investment income (loss)	(27,396)	-	-	(27,396)
Total revenue	59,814	43,788	115,395	218,997
Net Assets Released from Restrictions	44,080	(44,080)	-	-
Total support and revenues	103,894	(292)	115,395	218,997
Expenses:				
Management and general	55,001	-	-	55,001
Total expenses	55,001	-	-	55,001
Change in net assets	48,893	(292)	115,395	163,996
Net Assets Reclassifications	(114,537)	55,460	59,077	-
Net assets at beginning of year	174,517	698,259	820,532	1,693,308
Net assets at end of year	$ 108,873	$ 753,427	$ 995,004	$ 1,857,304

JEWISH FAMILY SERVICE OF GREATER DALLAS FOUNDATION
Combined Statements of Cash Flows
Years Ended July 31, 2017 and 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	2017	2016
Change in net assets	$ 222,462	$ 163,996
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	33,445	17,467
Unrealized (gains) losses	90,284	63,093
(Increase) decrease in:		
Accounts receivable	-	9,763
Increase (decrease) in:		
Accrued expenses	(13,568)	13,197
Net cash provided by operating activities	332,623	267,516
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of real estate investment property	-	(1,003,422)
Net investment (purchases) sales	(129,717)	868,906
Net cash provided by (used in) investing activities	(129,717)	(134,516)
Net increase in cash and cash equivalents	202,906	133,000
Cash and cash equivalents at beginning of year	422,273	289,273
Cash and cash equivalents at end of year	$ 625,179	$ 422,273

See accompanying notes and independent auditor's report.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Jewish Family Service of Greater Dallas Foundation (The Foundation) is a nonprofit organization that was formed on March 30, 2010, and funded in 2012. The Foundation was formed exclusively for the charitable purpose of making distributions to or for the Jewish Family Service of Dallas, Inc. (JFS). Thirty percent (30%) of the trustees shall be persons elected by the Board of Directors of JFS.

In January 2016, JFSF Holdings, LLC (Holdings) was formed and the Foundation is the sole member of Holdings.

Summary of Significant Accounting Policies

The summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation's combined financial statements. The combined financial statements and notes are representations of the Foundation's management, who is responsible for their integrity and objectivity.

(a) Basis of Combination, Presentation and Accounting

The combined financial statements include the accounts of the Foundation and its affiliated organization, Holdings (together, the Foundation). All significant inter-organizational transactions and balances have been eliminated.

The Foundation prepares its annual combined financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), consistently applied.

(b) Net Asset Classification

In accordance with GAAP, the Foundation classifies its net assets into three categories as follows:

Unrestricted- Net assets which are not subject to donor-imposed stipulations. Unrestricted net assets may be used for any purpose or designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets which are subject to donor-imposed purpose restrictions or which expire by the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that the corpus be maintained permanently. Generally the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. These are often referred to as endowments.

The state of Texas adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective September 2007. The Foundation has determined that the majority of its net assets do not meet the definition of endowments under UPMIFA. While not UPMIFA-defined endowments, the Foundation intends many of its funds to be permanent and manages them accordingly. Further references to “endowment”, “endowment fund”, or “endowed assets” in these notes relate to those intentions of the Foundation.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(c) Use of Estimates

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting year. Accordingly, actual results could differ from those estimates. Significant estimates include the valuation of long-term investments.

(d) Contributions and Pledges Receivable

Contributions received, including unconditional promises to give (pledges), are recorded as unrestricted, temporarily restricted, or permanently restricted support in the period received depending on the existence and/or nature of any donor restrictions. Conditional pledges are recognized as the conditions upon which they depend are substantially met. Pledges are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received. There were no conditional pledges as of July 31, 2017 or 2016.

Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The Foundation records an allowance for uncollectible pledges and periodically evaluates the overall adequacy of the allowance for uncollectible pledges. At July 31, 2016, all pledges receivable are due within one year and no allowance for uncollectible pledges is considered necessary. There were no pledges receivable as of July 31, 2017 or 2016.

Gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expirations of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Foundation's directors and officers serve without pay, except for the reimbursement of any actual necessary out-of-pocket expenses. The value of their contributed services is not reflected in the accompanying combined financial statements since it cannot be objectively measured or valued.

(e) Cash and Cash Equivalents

The Foundation considers as cash and cash equivalents all cash on hand, cash in checking accounts, certificates of deposit, short-term investments and similar instruments with original maturities of three months or less.

(f) Real Estate

The Foundation capitalizes all costs directly related to the acquisition or improvement of Foundation owned buildings. Depreciation is computed using the straight-line method over the estimated useful life of the building which is 30 years.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Investments

Investments with readily determinable fair values are measured at estimated fair value in the statement of financial position. Investment income consists primarily of interest earned on interest bearing cash and realized or unrealized gains (losses) from investment accounts.

(h) Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments. At times, the Foundation had cash and cash equivalents on deposit with financial institutions and brokerages that exceeded federally insured limits. The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position.

(i) Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Texas gross margin tax. Unrelated business income, of which the Foundation had no significant amounts for the years ended July 31, 2017 and 2016, is subject to federal income taxes. Accordingly, there is no provision or liability for federal income taxes in the accompanying combined financial statements. The Foundation is classified as an organization other than a private foundation.

The Foundation regularly assesses uncertain tax positions in each of the tax jurisdictions in which it has operations and accounts for the related financial statement implications. Uncertain tax benefits are reported using the two-step approach under which tax effects of a position are recognized only if it is "more-likely-than-not" to be sustained and the amount of the tax benefit recognized is equal to the largest tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement of the tax position. Determining the appropriate level of unrecognized tax benefits requires the Foundation to exercise judgment regarding the uncertain application of tax law. The amount of tax benefits is adjusted when information becomes available or when an event occurs indicating a change is appropriate. Future changes in unrecognized tax benefits requirements could have a material impact on the results of operations. The Foundation is generally no longer subject to tax examinations relating to US federal tax returns for three years prior to the date of the latest tax filing.

(j) Management Review

The Foundation has evaluated subsequent events through December 18, 2017 the date the combined financial statements were available to be issued.

(k) Reclassifications

Certain reclassifications have been made for consistency between 2016 and 2017 presentation.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(l) Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14*, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* decreases the number of net asset classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions. The standard also:

- Requires reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhances disclosures about underwater endowments.
- Continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, eliminating the requirement for those who use the direct method to perform reconciliation with the indirect method.
- Requires a not-for-profit to provide in the notes qualitative information on how it manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes.
- Requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature.

The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the standard is permitted. The Foundation has elected not to early adopt this ASU as of July 31, 2017.

2. REAL ESTATE

On January 25, 2016 Holdings purchased a building for investment purposes. The total consideration paid in exchange for the building was $975,000. Additionally, $28,422 in closing costs and legal fees were capitalized to the building. Depreciation expense was $33,446 and $17,467 for the year ended July 31, 2017 and 2016, respectively.

Holdings is using the building to generate rental income. Holdings leased office space in the building to one tenant during the year ended July 31, 2016. This lease agreement expires in July 2023. Rental income related to this lease was $69,000 and $35,798 for year ended July 31, 2017 and 2016 respectively. Future minimum rental income under the non-cancelable lease agreement is as follows:

Years ended July 31,	
2018	$ 69,000
2019	69,000
2020	69,000
2021	69,000
2022	69,000
Thereafter	69,000
	$ 414,000

3. RESTRICTED ENDOWMENT FUNDS

The Foundation's endowment consists of donor restricted and board designated funds. As required by GAAP, net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets:

1. The original value of the gift; and
2. The original value of subsequent gifts to the fund.

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

1. The duration and preservation of the fund;
2. The purposes of the Foundation and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation;
7. The investment policies of the Foundation.

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 endowment while seeking to maintain the purchasing power of the endowment assets. 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 Board of Directors, the endowment assets are invested in a manner that is anticipated to maintain the purchasing power of the fund while assuming a moderate level of investment risk.

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

3. RESTRICTED ENDOWMENT FUNDS – CONTINUED

The Foundation has a policy of appropriating for distributions the net interest and dividends of its endowment funds. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts.

Endowment activity by type of fund during the years ended July 31, 2017 and 2016 is as follows:

	Funds Functioning as an Endowment (Temporarily Restricted)	Endowment Net Assets (Permanently Restricted)	Total
July 31, 2015	$ 698,259	$ 820,532	$ 1,518,791
Contributions	43,788	115,395	159,183
Investment income	-	-	-
Released from restriction	(44,080)	-	(44,080)
Net Assets reclassifications	55,460	59,077	114,537
July 31, 2016	753,427	995,004	1,748,431
Contributions	65,491	103,412	168,903
Investment Income	18,273	24,132	42,405
Rental Income	27,990	36,965	64,955
Released from restriction	(27,899)	(36,845)	(64,744)
July 31, 2017	$ 837,282	$ 1,122,668	$ 1,959,950

The Foundation's restricted endowment fund consisted of the following as of July 31, 2017 and 2016:

	2017	2016
Temporarily Restricted		
Michael Fleisher Fund	$ 137,749	$ 133,129
Charles B. & Helen R. Feldman Food Pantry Fund	24,837	11,002
Designated Food Pantry	2,938	2,638
Peachy and Morton Rudberg Fund	30,341	19,822
Weingarten/Webberman Fund for Children Special Needs	25,616	25,007
Susie and Joel Litman Fund for Supportive Services for Older Adults	10,817	10,289
The Barbara and Clive Miskin Fund	60,688	39,720
The Morchower Family Philanthropic Endowment Fund	49,828	48,642
Julie and David Fields Fund	9,962	9,725
The Harriet Florence Gross Fund	45,009	24,414
The Synar Fund for Clinical Services	439,496	429,039
Total temporarily restricted endowments	$ 837,282	$ 753,427

3. RESTRICTED ENDOWMENT FUNDS – CONTINUED

	2017	2016
Permanently Restricted		
Fagelman Birk Fund	$ 673,182	$ 559,544
Weisbrod Family Endowment Fund	265,130	258,822
S. Blumberg Endowment Fund	85,105	83,080
The Lois Stillman Mexic Endowment Fund	30,407	29,342
The Webberman Fund for Gerontology	16,419	16,028
Pinker Family Fund for Healthy Safe Families	11,390	11,119
Sachs-Farkas Fund	15,275	14,852
Barbara Schwarz Fund	10,130	7,936
Star Endowment for Children's Mental Health	15,630	14,281
Total permanently restricted endowments	$ 1,122,668	$ 995,004

4. INVESTMENTS HELD IN TRUST

An independent advisory board within the Dallas Jewish Community Foundation (the DJCF) manages investments funds. Investments held at the DJCF in a collective investment trust are stated at estimated fair value. At July 31, 2017 and 2016, investments held at the DJCF were as follows:

	2017	2016
Equity Funds	251,872	$278,588
Fixed Income Funds	-	65,004
Bond Funds	125,937	-
Alternative Investment	125,937	92,863
Money Market	-	27,858
Total	$503,746	$464,313

Investment income (loss) consisted of the following for the years ended July 31, 2017 and 2016:

	2017	2016
Interest and dividends	$ 13,125	$ 17,341
Realized gain	122,195	18,356
Unrealized gain (loss)	(90,284)	(63,093)
	$ 46,046	$ (27,396)

5. PROGRAM DISTRIBUTIONS AND RELATED PARTY

Distributions to JFS are determined by the Foundation's Board of Directors and are recorded upon approval. No distributions to JFS were made during the years ended July 31, 2017 and 2016, respectively. For the years ended July 31, 2017 and 2016, JFS billed allocated administrative costs to the Foundation totaling $12,503 and $7,410, respectively, which are included on the statements of activities as management and general expenses.

6. CONCENTRATIONS

As of July 31, 2017 and 2016, 100% of the investments held at the Dallas Jewish Community Foundation were invested in various mutual/index funds within collective investment trust. The Foundation has not experienced significant losses in such accounts.

7. FAIR VALUE MEASUREMENTS

The carrying amount of cash and cash equivalents and accounts payable approximated fair market value at July 31, 2017 and 2016, because of their relatively short maturity.

The Foundation's combined financial statements are prepared in conformity with GAAP, which establishes a fair value hierarchy based on the observability of market prices used to measure fair value. Investments with readily available quoted prices in an active market or those for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified in one of the following categories:

Level 1 – the values are based on quoted prices readily available in active markets for identical investments.

Level 2 – the values are based on quoted prices in non-active markets for which all significant inputs are observable either directly or indirectly. Inputs may also include pricing models whose inputs are observable or derived principally from or corroborated by observable market data.

Level 3 – pricing inputs are unobservable and include situations where there is little, if any, market activity for these investments. Fair value for these investments are determined using valuation methodologies that consider a range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. The determination of fair value requires significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would be used if a ready market for these investments existed.

Following is a description of the valuation methodologies used for assets measured at fair value.

Collective investment trusts: Valued at similar assets or liabilities in active markets.

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 fair value measurement at the reporting date.

At July 31, 2017 and 2016, the investments were all in a collective investment trust and, accordingly, are considered Level 2 investments aggregating $503,746 and $464,313 respectively. The Foundation had no Level 1 or Level 3 investments at July 31, 2017 and 2016.