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CERTIFIED PUBLIC ACCOUNTANTS

JEWISH FAMILY SERVICE OF DALLAS, INC.

Financial Statements
(With Independent Auditor's Report Thereon)

As of and For the Year Ended July 31, 2018

JEWISH FAMILY SERVICE OF DALLAS, INC.
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As of and For the Year Ended July 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Jewish Family Service of Dallas, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Jewish Family Service of Dallas, Inc. (a nonprofit organization), which comprise the statement of financial position as of July 31, 2018 and the related statements of activities, cash flow and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Jewish Family Service of Dallas, Inc. as of July 31, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

STILL BURTON LLP

Still Burton LLP

Farmers Branch, Texas
December 20, 2018

JEWISH FAMILY SERVICE OF DALLAS, INC.

Statement of Financial Position

July 31, 2018

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	729,672
Accounts receivable, net		130,413
Pledges receivable, net		1,210,360
Investments at Dallas Jewish Community Foundation		2,707,205
Beneficial interest in net assets of Jewish Family Service of Greater Dallas Foundation		1,035,008
Inventory- resale shops		62,260
Prepaid expenses		45,270
Security deposits		11,455
Total current assets		5,931,643
NON-CURRENT ASSETS		
Property, plant, and equipment, net		2,511,801
Beneficial interest in net assets of Jewish Family Service of Greater Dallas Foundation, less current portion		1,105,907
Total non-current assets		3,617,708
TOTAL ASSETS	$	9,549,351
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	$	15,000
Deferred rent and revenue		39,615
Accounts payable and accrued expenses		245,670
Total current liabilities		300,285
LONG-TERM DEBT, less current portion		355,000
Total liabilities		655,285
NET ASSETS		
Without donor restrictions		3,841,971
With donor restrictions		5,052,095
TOTAL NET ASSETS		8,894,066
TOTAL LIABILITIES AND NET ASSETS	$	9,549,351

See accompanying notes and independent auditors' report.

JEWISH FAMILY SERVICE OF DALLAS, INC.
Statement of Activities
For the Year Ended July 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Jewish Federation of Greater Dallas	$ 804,177	$ 72,257	$ 876,434
United Way	30,012	528,513	558,525
Grants	218,203	2,488,935	2,707,138
Contributions	768,774	266,472	1,035,246
Contributions-in-kind	268,929	47,173	316,102
Total public support	2,090,095	3,403,350	5,493,445
REVENUE			
Program service fees	400,400	12,442	412,842
Events, net of $370,307 cost	539,796	-	539,796
Lifeline staff support	25,350	-	25,350
Fees from Jewish schools	101,220	-	101,220
Resale shop sales	639,868	-	639,868
Changes in net assets of Jewish Family Service of Greater Dallas Foundation	40,398	20,751	61,149
Realized gain (loss)/investment income, net	66,298	14,570	80,868
Unrealized gain (loss) on investments	60,411	(12,688)	47,723
Rental income	135,559	-	135,559
Miscellaneous income	234,404	-	234,404
Total revenue	2,243,704	35,075	2,278,779
TOTAL PUBLIC SUPPORT AND REVENUE BEFORE CHANGES IN ASSET RESTRICTIONS	4,333,799	3,438,425	7,772,224
CHANGES IN ASSET RESTRICTIONS:			
Released due to purpose expenditures	3,434,073	(3,434,073)	-
Total assets released from restrictions	3,434,073	(3,434,073)	-
TOTAL PUBLIC SUPPORT AND REVENUE	$ 7,767,872	$ 4,352	$ 7,772,224

See accompanying notes and independent auditors' report.

JEWISH FAMILY SERVICE OF DALLAS, INC.
Statement of Activities - Continued
For the Year Ended July 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
Program services:			
Counseling/mental health	$ 3,073,374	$ -	$ 3,073,374
Emergency assistance/food pantry	468,488	-	468,488
Older adult	803,331	-	803,331
Volunteer services	109,670	-	109,670
Resale shops	586,137	-	586,137
Career and financial services	456,045	-	456,045
Total program services	5,497,045	-	5,497,045
Supporting services:			
Management and general	1,276,061	-	1,276,061
Fundraising	662,765	-	662,765
Total supporting services	1,938,826	-	1,938,826
TOTAL EXPENSES	7,435,871	-	7,435,871
Changes in net assets	332,001	4,352	336,353
Transfer between funds	(57,515)	57,515	-
Net assets, beginning of year	3,567,485	4,990,228	8,557,713
Net assets, end of year	$ 3,841,971	$ 5,052,095	$ 8,894,066

JEWISH FAMILY SERVICE OF DALLAS, INC.
Statements of Cash Flow
For the Year Ended July 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	336,353
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization		91,959
Realized and unrealized (gains) losses		(146,429)
Change in beneficial interest in Jewish Family Service of Greater Dallas Foundation		(61,149)
(Increase) decrease in:		
Inventory		(24,194)
Pledges receivable		(813,753)
Accounts receivable		26,265
Prepaid expenses		(40,250)
Increase (decrease) in:		
Accounts payable and accrued liabilities		30,814
Deferred rent and revenue		28,961
Net cash used in operating activities		(571,423)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investment sales (purchases)		876,940
Purchase of equipment		(98,449)
Net cash provided by investing activities		778,491
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt		(10,000)
Net cash used in financing activities		(10,000)
Net increase in cash and cash equivalents		197,068
Cash and cash equivalents at beginning of year		532,604
Cash and cash equivalents at end of year	$	729,672
Supplemental disclosure of cash flow information:		
Interest paid	$	11,513

See accompanying notes and independent auditors' report.

JEWISH FAMILY SERVICE OF DALLAS, INC.
Statement of Functional Expense
For the Year Ended July 31, 2018

	Program									
	Counseling/ Mental Health	Emergency Assistance/Food Pantry	Older Adult	Volunteer Services	Resale Shops	Career and Financial Services	Total Program	Management and General	Fundraising	Total
SALARIES AND RELATED BENEFITS										
Program salaries	$ 2,098,696	$ 130,408	$ 525,714	$ 83,565	$ 275,645	$ 357,527	$ 3,471,555	$ -	$ -	$ 3,471,555
Management/administrative salaries	-	-	-	-	-	-	-	526,902	400,981	927,883
Related benefits	350,015	18,602	75,283	14,358	64,356	77,664	600,278	126,686	86,018	812,982
Total salaries and related benefits	2,448,711	149,010	600,997	97,923	340,001	435,191	4,071,833	653,588	486,999	5,212,420
OTHER EXPENSES										
Specific assistance to individuals	219,353	278,553	167,905	412	250	9,208	675,681	647	67,727	744,055
Professional fees and contract payments	224,715	3,004	5,552	-	46,127	120	279,518	147,534	12,777	439,829
Occupancy	645	24,709	625	-	65,372	-	91,351	223,317	1,184	315,852
Miscellaneous expense	56,637	137	7,410	1,053	30,359	3,412	99,008	62,843	15,999	177,850
Equipment maintenance and rental	39,790	7,507	7,775	857	37,548	4,322	97,799	19,299	5,542	122,640
Supplies and hospitalities	25,572	4,115	420	3,378	16,701	265	50,451	22,863	37,339	110,653
Local transportation	8,620	272	11,249	498	26,297	1,745	48,681	4,712	3,076	56,469
Telephone	7,664	676	-	8	13,930	-	22,278	27,285	-	49,563
Postage, promotional, printing and publications	5,546	430	1,358	1,196	2,561	1,670	12,761	8,924	25,135	46,820
Dues	6,298	-	-	-	160	-	6,458	14,057	99	20,614
Subscriptions and publications	8,974	-	40	2,637	704	112	12,467	817	6,699	19,983
Conferences, conventions and meetings	13,181	75	-	1,708	-	-	14,964	499	189	15,652
Total expenses other than salaries and related expenses	616,995	319,478	202,334	11,747	240,009	20,854	1,411,417	532,797	175,766	2,119,980
TOTAL EXPENSES BEFORE DEPRECIATION AND INTEREST	3,065,706	468,488	803,331	109,670	580,010	456,045	5,483,250	1,186,385	662,765	7,332,400
Depreciation	7,668	-	-	-	6,127	-	13,795	78,163	-	91,958
Interest	-	-	-	-	-	-	-	11,513	-	11,513
Total depreciation and interest	7,668	-	-	-	6,127	-	13,795	89,676	-	103,471
TOTAL EXPENSES	$ 3,073,374	$ 468,488	$ 803,331	$ 109,670	$ 586,137	$ 456,045	$ 5,497,045	$ 1,276,061	$ 662,765	$ 7,435,871

1. Organization and Summary of Significant Accounting Policies

Basis of Organization

Jewish Family Service of Dallas, Inc. (JFS), is a Texas non-profit organization incorporated in 1984. JFS's purpose is to perform social services for the Jewish and general community of greater Dallas, and to furnish a variety of counseling services, financial assistance and other related charitable and educational services. The primary purpose of these programs includes: maintaining and strengthening family living, providing for family and individual welfare, child welfare, and care of the aged. These programs are funded mainly through contributions from individuals, the Jewish Federation of Greater Dallas, United Way, and private and federal grants. JFS Thrift Store, LLC is a wholly owned entity of JFS used for the operation of their thrift stores and is included in JFS' financial statements.

Planned Living Assistance Network of North Texas, Inc. (PLAN) is a non-profit organization chartered in the State of Texas and located in Dallas, Texas. PLAN's primary purpose is to provide advice, counsel, information and services to the chronically mentally ill in a variety of human need areas. On August 1, 2017, Planned Living Assistance Network of North Texas, Inc. (PLAN) merged into JFS, with JFS the surviving entity.

JFS has been awarded a 4-star rating by Charity Navigator for six straight years in recognition of the agency's ability to effectively manage and grow its resources and to execute its mission in an exemplary fiscal manner. Nationally, only 7% of charities rated have achieved this "exceptional" rating for six consecutive years, distinguishing JFS as a responsible steward of the public trust.

Summary of Significant Accounting Policies

This is a single year presentation due to the merger of PLAN and the early adoption of ASU No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The summary of significant accounting policies of JFS is presented to assist in understanding JFS's financial statements. The financial statements and notes are representations of JFS's management, who is responsible for their integrity and objectivity.

(a) Basis of Presentation and Accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP), consistently applied.

(b) Net Asset Classification - In accordance with GAAP, JFS has early adopted ASU No. 2016-14. Therefore, JFS classifies its net assets into two categories as follows:

Without Donor Restrictions – Net assets which are not subject to donor-imposed stipulations. These may be used for any purpose or designated for specific purposes by action of the Board of Directors.

With Donor Restrictions – (1) Net assets which are subject to donor-imposed purpose restrictions or which expire by the passage of time (formerly called temporarily-restricted). (2) Net assets subject to donor-imposed stipulations that the corpus be maintained permanently (formerly called permanently-restricted). Generally, the donors of these assets permit JFS to use all or part of the income earned on related investments for general or specific purposes. These are often referred to as endowments.

1. Organization and Summary of Significant Accounting Policies - Continued

Summary of Significant Accounting Policies - Continued

(b) Net Asset Classification (Continued) - The state of Texas has adopted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). JFS has determined that the majority of its net assets do not meet the definition of endowments under TUPMIFA. While not TUPMIFA-defined endowments, the donors intend for these funds to be permanent and JFS manages them accordingly. Further references to "endowment", "endowment fund", or "endowed assets" in these notes relate to those intentions.

(c) Cash and Cash Equivalents – For the purposes of the statements of cash flows, JFS considers all investments with original purchased maturities of three months or less to be cash equivalents.

(d) Accounts Receivable and Allowances for Doubtful Accounts - JFS determines the allowance for doubtful accounts reserve by regularly evaluating individual client receivables and considering the client's financial condition, credit history, and current economic conditions. The reserve was $25,336 at July 31, 2018.

(e) Investments at Dallas Jewish Community Foundation (DJCF) – Investments in equity and fixed income securities with readily determinable fair values are valued at quoted market prices. Investment income consists primarily of interest earned and realized or unrealized gains (losses) from investment accounts. Unless the donor restricted the use of investment income, such income is reported as without donor restricted activity. The change in fair value between years is reflected in the statement of activities in the year of the change as unrealized gain (loss) on investments.

(f) Beneficial Interest – JFS is affiliated with Jewish Family Service of Greater Dallas Foundation (the Foundation, JFSF), a supporting organization which exists for the benefit of JFS. JFS has an economic interest but not a direct voting interest in the Foundation. Therefore, although JFS may elect to combine with the financial statements of the Foundation, they have chosen to record a beneficial interest in the net assets of the Foundation instead. The beneficial interest in the net assets of the Foundation will be increased or decreased on an annual basis by an amount equal to the net increase or decrease in the net assets of the Foundation. Summarized financial information of the Foundation as of and for the year ended July 31, 2018 is as follows:

Contributions	$ 88,126
Rental income	69,000
Investment income (loss)	50,489
Management and general expenses	(146,466)
Change in net assets	61,149
Total assets	2,143,475
Total liabilities	2,560
Total net assets	$2,140,915

(g) Inventory – JFS maintains an inventory of used clothing, household items, and furniture donated by others within its resale stores. The value of the donated inventory is stated at its estimated fair value.

1. Organization and Summary of Significant Accounting Policies - Continued

Summary of Significant Accounting Policies - Continued

(h) Property and Equipment - Property and equipment are carried at acquisition cost or the estimated fair value of donated assets. JFS capitalizes expenditures for property and equipment in excess of $750. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	3 to 39 years
Furniture, fixtures, and equipment	3 to 10 years
Computer equipment and software	3 to 5 years
Vehicles	5 years

(i) Long-Lived Assets - Long-lived assets held and used by JFS are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, JFS compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of the assets and is recorded in the period in which the determination was made. No indicators of impairment existed at July 31, 2018.

(j) Deferred Rent and Revenue –Rent expense is being recognized on a straight-line basis over the life of the leases. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the statement of financial position. Deferred revenue includes fees collected in advance of service and is recognized in subsequent periods when the corresponding time has passed, programs are conducted, or expenses are incurred.

(k) Revenue Recognition and Pledges Receivable – Contributions received, including unconditional promises to give (pledges) and grants, are recorded as without donor restrictions or with donor restrictions 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. Restricted contributions whose restrictions are met in the same year received are recorded as unrestricted contributions.

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 using a risk-free interest rate. JFS records an allowance for uncollectible pledges and periodically evaluates the overall adequacy of the allowance for uncollectible pledges. At July 31, 2018, there was no allowance for uncollectible pledges receivable.

Revenues are reported as increases in without donor restricted net assets unless use of the related assets is limited by donor-imposed restrictions. Once the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, restricted revenues are reclassified from with donor restrictions to without donor restrictions.

Grants are recognized as revenue when awarded based on the terms of the grant.

1. Organization and Summary of Significant Accounting Policies - Continued

Summary of Significant Accounting Policies - Continued

(k) Revenue Recognition and Pledges Receivable (Continued) - Program service fees are recognized as revenue when the service is performed. Contributions in-kind are recorded for food and various other contributed items that meet the required GAAP criteria for recognition and are recorded at estimated fair value on the date of the donation.

Volunteers contribute significant amounts of time to JFS' program services, administration, fundraising and development activities; however, the financial statements do not reflect a significant portion of the value of these contributed services and the related in-kind expense (estimated at approximately 29,691 hours at $24.64 per hour = $731,583 for the year ended July 31, 2018) because they do not meet recognition criteria prescribed by GAAP. In-kind volunteer service and related expense of approximately $8,809 which do meet GAAP recognition criteria were recorded for the year ended July 31, 2018.

(l) Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates include useful lives of fixed assets, valuation of donated inventory, valuation of the reserve for uncollectible receivables, valuation of investments, and the functional allocation of expenses.

(m) Advertising Expenses - JFS expenses advertising costs as incurred. JFS incurred approximately $18,500 in advertising expense for the year ended July 31, 2018.

(n) Functional Allocation of Expenses - Expenses have been summarized on a functional basis and allocated in the statement of activities. Accordingly, the majority of costs among program services are activities that result in goods and services being distributed to clients that fulfill the purpose and mission of JFS and are a result of direct conduct or direct supervision. The other costs among program services are allocated by number of employees in the program on a pro-rata basis. All remaining costs are for supporting activities and are allocated between fundraising and management and general based on management's estimates. While the presentation of these amounts has changed due to the implementation of ASU 2016-14, there has been no substantive changes in JFS operations or the provision of services to the agency's clients.

(o) Income Taxes - JFS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. JFS is, however, potentially subject to tax on unrelated business income under Section 511(a) of the Code. For the year ended July 31, 2018, JFS received rental income from debt-financed property that is reported as unrelated business income. Taxes on unrelated business activities are insignificant. Accordingly, no provision for federal income taxes has been made.

1. Organization and Summary of Significant Accounting Policies - Continued

Summary of Significant Accounting Policies - Continued

(o) Income Taxes (Continued) - JFS is classified as an organization other than a private foundation. JFS is also exempt from the Texas gross margin tax.

JFS regularly assesses uncertain tax positions in each of the tax jurisdictions in which it has operations and accounts for the related financial statement implications. Unrecognized 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 JFS to exercise judgment regarding the uncertain application of tax law. The amount of unrecognized 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. JFS is generally no longer subject to tax examinations relating to US federal tax returns for three prior years from the date of filings.

(p) Concentration of Credit Risk - Financial instruments which potentially subject JFS to concentrations of credit risk consist principally of cash and cash equivalents and investments. At times, JFS had cash and cash equivalents on deposit with financial institutions and brokerages that exceeded federally insured limits. JFS 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.

(q) Liquidity – JFS financial assets available within one year of the fiscal year end date for general expenditures are as follows as of July 31, 2018:

Cash and cash equivalents	$ 729,672
Accounts receivables, net	130,413
Pledges receivable, net	1,210,360
Investments at Dallas Jewish Community Foundation	2,707,205
Beneficial interest in net assets of the Foundation	2,140,915
Financial assets available at year end	$6,918,565

1. Organization and Summary of Significant Accounting Policies - Continued

Summary of Significant Accounting Policies - Continued

(q) Liquidity (Continued):

Financial assets available at year end	$ 6,918,565
Less those unavailable for general expenditures within one year, due to:	
Time or purpose restrictions	(3,878,603)
Perpetual endowment restrictions	(1,173,492)
Board designations	(234,176)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,632,294

(r) Recent Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers,* a converged standard on revenue recognition between the FASB and International Accounting Standards Board. The objective of the revenue standard is to provide a single, comprehensive revenue recognition model for all contracts to improve comparability within and across industries. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and the timing of revenue recognition. FASB deferred the effective date for fiscal years beginning after December 15, 2018 for non-profit entities, though these entities can early adopt if they so elect. JFS has elected not to early adopt this ASU as of July 31, 2018. The required implementation date for JFS is for the year ended July 31, 2020. Management is currently evaluating any impact on its financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842).* This ASU requires a lessee to recognize on its balance sheet a right-of-use asset and a lease liability under most operating leases. For private companies and not-for-profit entities, the ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. JFS has elected not to early adopt this ASU as of July 31, 2018. Implementation will be required for JFS's fiscal year ended July 31, 2021. Management is currently evaluating any impact on its financial statements.

1. Organization and Summary of Significant Accounting Policies - Continued

Summary of Significant Accounting Policies - Continued

(r) Recent Accounting Pronouncements (Continued) – In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies the definition of an exchange transaction. As a result, not-for-profit entities will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. JFS has elected not to early adopt this ASU as of July 31, 2018. Implementation will be required for JFS's fiscal year ended July 31, 2020. Management is currently evaluating any impact on its financial statements.

2. Property and Equipment

Property and equipment are as follows at July 31, 2018:

Land	$ 1,462,253
Building and improvements	1,571,352
Vehicle	26,751
Computer equipment and software	246,338
Furniture and equipment	272,665
	3,579,359
Accumulated depreciation	(1,067,558)
	$ 2,511,801

Depreciation expense totaled $91,959 for the year ended July 31, 2018.

3. Pledges Receivable

The following schedule summarizes the pledges receivable balances at July 31, 2018:

Less than one year	$ 807,577
One to five years	413,000
Total	1,220,577
Net present value discount	(10,217)
	$1,210,360

4. Investments

An independent advisory board within the Dallas Jewish Community Foundation (the DJCF) manages investment funds for JFS. Investments held at the DJCF in a collective investment trust are stated at estimated fair value and are classified as current investments. At July 31, 2018, investments held at the DJCF were as follows:

JFS:	
Equity Funds	$ 150,110
Bond Funds	75,054
Alternative Investment	75,054
	300,218
PLAN Housing:	
Equity Funds	892,764
Bond Funds	446,382
Alternative Investment	446,382
	1,785,528
PLAN Endowment:	
Equity Funds	310,729
Bond Funds	155,365
Alternative Investment	155,365
	621,459
	$2,707,205

The following schedule summarizes the investment income (loss) net of fees and its classification in the statement of activities for the year ended July 31, 2018:

Interest and dividend income	$ 70,734
Realized gain (loss)	27,972
Unrealized gain (loss)	47,723
Investment fees	(17,838)
	$ 128,591

5. Fair Value of Financial Instruments

The carrying amount of cash, cash equivalents, pledge receivables, accounts receivable, inventory, accounts payable and accrued expenses and deferred rent and revenue approximate fair market value at July 31, 2018 because of their relatively short maturity and market terms.

JFS's 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 is 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 trust with DJCF: Valued at similar assets or liabilities in active markets
Mutual funds: Valued 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 JFS 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.

6. Long-Term Debt and Line of Credit

JFS issued tax-exempt variable rate demand revenue bonds through the Colorado Education and Cultural Facilities Authority (the Authority) in February 2012. JP Morgan Chase provides a letter of credit as credit enhancement for the bonds. The letter of credit has a maturity date of February 2019. The letter of credit agreement is governed by the terms and conditions of the loan agreement. The loan covenants include a liquidity ratio of 1.2 to 1.0. JFS was in compliance with the loan covenants for the year ended July 31, 2018. Debt service is due and payable annually, with interest paid monthly. The bonds amortize on an annual basis each February with the final payment due on February 1, 2035. The interest rate resets daily (1.50% at July 31, 2018). The letter of credit is secured by land, buildings and certain other assets of JFS. Interest expense on long-term debt for the year ended July 31, 2018 was $11,513. Wells Fargo Bank, NA serves as trustee for the account of the Authority. JP Morgan Securities serves as the Remarketing agent remarketing the bonds daily. JFS renewed the letter of credit for another two years through February 1, 2021 subsequent to year end.

Long-term debt	$ 370,000
Less: current portion of long-term debt	(15,000)
	$ 355,000

Maturities of the bond payable to the Authority are as follows for the years ending July 31:

2019	$ 15,000
2020	15,000
2021	15,000
2022	15,000
2023	15,000
Thereafter	295,000
	$370,000

Subsequent to year end, JFS obtained an unsecured, revolving line of credit of $500,000 from a bank maturing January 31, 2019, with interest due monthly and unpaid principal and interest due at maturity. Interest accrues at the lessor of (a) the greater of: (i) the Prime Rate, or (ii) four percent (4.0%) or (b) the Maximum Rate (maximum non-usurious rate of interest under applicable Governmental Requirements of the State of Texas or applicable federal laws of the United States of America).

7. Without Donor Restrictions-Board Designated Net Assets

The Board of Directors has designated certain surplus funds for anticipated future capital cash flow needs of the building for any repairs not covered by operating income within the fiscal year. A fund is also set up for contingencies to be used at the discretion of JFS' Board of Directors.

Without donor restrictions-board designated net assets for JFS are as follows at July 31, 2018:

Reserve fund	$ 54,632
Building repair and replacement fund	91,373
Building fund	289,394
Contingency fund	1,261,030
	$ 1,696,429

8. Net Assets with Donor Restrictions

With donor restrictions for JFS are as follows at July 31, 2018:

Temporarily-restricted:	
Dallas Foundation	$ 65,000
Margot Rosenberg Pulitzer Foundation	12,330
Dallas Jewish Women International Philanthropic Fund	25,049
Dallas Women's Foundation	55,282
Fichtenbaum Charitable Trust	50,000
On the Job Training Fund	17,644
Rees-Jones Foundation	628,220
Food Pantry Truck Fund	49,756
Jewish Family Service of Greater Dallas Foundation	874,795
Meadows Foundation	14,872
Wolff Fund	48,973
ORIX Foundation	17,321
Breast Cancer Support Services	20,962
Zale Financial Assistance	20,922
Substance Abuse Fund	23,035
Fannie and Stephen Kahn Foundation	18,997
Reserve Fund	93,300
PLAN Housing Fund	1,785,528
Dallas Area Agency on Aging	31,738
Other restricted	24,879
Total temporarily-restricted	3,878,603
Permanently-restricted:	
Jewish Family Service of Greater Dallas Foundation	1,105,907
JFS Reserve endowment fund	64,644
S. Blumberg endowment fund	241
Pinker Family endowment fund	2,700
Total permanently-restricted endowments	1,173,492
Total with donor restrictions	$ 5,052,095

8. Net Assets with Donor Restrictions - Continued

Total released from with donor restricted net assets was $3,434,073 for the year ended July 31, 2018.

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:		
Counseling/mental health services	$	2,588,151
Older adult services		115,735
Emergency assistance and food pantry services		94,433
Career and financial services		63,216
Beneficial interest in the Foundation-earnings		874,795
		3,736,330
Subject to JFS/ spending policy and appropriation:		
Operating reserves		142,273
Not subject to appropriation or expenditure:		
Beneficial interest in the Foundation-endowment		1,105,907
JFS reserve endowment		64,644
S. Blumberg endowment		241
Pinker family endowment		2,700
		1,173,492
Total net assets with donor restrictions	$	5,052,095

As required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of JFS has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) 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, JFS classifies as donor restricted - permanently-restricted net assets:

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

8. Net Assets With Donor Restrictions - Continued

The earnings portion of the endowment fund is available to be appropriated for expenditure by JFS in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, JFS 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 JFS 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 JFS;
7. The investment policies of JFS.

Investment Return Objectives, Risk Parameters and Strategies
JFS 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 JFS 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, JFS 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). JFS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk restraints.

JFS has a policy of appropriating for distributions the net interest and dividends of its endowment funds, subject to approval of the Foundation. In establishing this policy, JFS considered the long-term expected return on its endowment. This is consistent with JFS'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.

The annual activity of net assets with donor restrictions for the year ended July 31, 2018 is as follows:

	With Donor Restrictions		
	Temporarily Restricted Net Assets	**Permanently Restricted Net Assets**	**Total**
Balance July 31, 2017	$ 3,799,975	$ 1,190,253	$ 4,990,228
Contributions and other income	3,011,676	-	3,011,676
Change in JFSF beneficial interest	37,512	(16,761)	20,751
Restriction released	(2,972,560)	-	(2,972,560)
Balance July 31, 2018	$ 3,878,603	$ 1,173,492	$ 5,052,095

9. Lease Commitments

JFS is the lessor of a portion of its building under a non-cancelable sub-lease that expires in 2025. The lease agreement provides for three renewal periods totaling twenty years, the first of which was exercised by the lessee during 2006, the second of which was exercised by the lessee during 2010, and the third of which was exercised by the lessee during 2015. Minimum future rentals to be received on the non-cancelable sub-lease are as follows for the years ended July 31:

2019	$ 76,800
2020	76,800
2021	76,800
2022	76,800
2023	76,800
Thereafter	185,600
Total	$ 569,600

JFS is obligated under non-cancellable leases for office equipment and building space. The non-cancellable leases include space for the JFS Thrift Stores in Garland and Richardson; office space for PLAN and office space for JFS. Total rent expense under these leases was approximately $167,000 for the year ended July 31, 2018.

Future minimum lease payments under non-cancellable operating leases at July 31, 2018:

2019	198,217
2020	172,221
2021	154,241
2022	63,658
2023	9,444
Total future minimum lease payments	$ 597,781

10. Related Parties

The Foundation was formed in 2010 as a Texas non-profit corporation and was funded in 2012. The Foundation was formed exclusively for the charitable purpose of making distributions to or for JFS. No more than 30% of the board of the Foundation may be appointed to the Foundation by JFS's board. The Foundation operates independently of JFS. JFS recorded a beneficial interest in the net assets of the Foundation of $2,140,915 as of July 31, 2018. Distributions to JFS are determined by the Foundation's Board of Directors and are recorded upon approval. A distribution of $56,304 was made to JFS during the year ended July 31, 2018. For the year ended July 31, 2018, JFS billed allocated administrative costs to the Foundation totaling $37,483.

JFS receives an allocation grant from the Jewish Federation of Greater Dallas each year which is recorded as public support. The grant from the Jewish Federation of Greater Dallas was $876,434 for the year ended July 31, 2018.

11. 403(b) Retirement Plan

JFS sponsors a 403(b) defined contribution retirement plan (the Plan). The Plan authorizes employees to make pre-tax contributions to the Plan. Employees that have worked 1,000 hours and one year of service may be eligible to receive a matching contribution up to 50% of the first 6% of compensation contributed by each eligible participant at management's discretion annually.

JFS's contributions to the retirement plan totaled approximately $62,500 for the year ended July 31, 2018.

12. Subsequent Events

Subsequent events were evaluated through December 20, 2018 which is the date of the financial statements were available to be issued.

The lease agreement of which JFS is the lessor of a portion of its building was amended as of November 27, 2018. The amended lease is effective January 1, 2019 for 12 twelve months through December 31, 2019 with a minimum rental of $7,040 per month, total additional commitment of $84,480.