

**JEWISH FAMILY SERVICE
OF DALLAS, INC.**

Financial Statements
(With Independent Auditor's Report Thereon)

**As of and For the Years Ended
July 31, 2019 and 2018**

JEWISH FAMILY SERVICE OF DALLAS, INC.
Index to Financial Statements
As of and For the Years Ended July 31, 2019 and 2018

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	8
Statements of Functional Expense	9
Notes to the Financial Statements	11
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the <i>Uniform Guidance</i>	26
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs	32

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 statements of financial position as of July 31, 2019 and 2018 and the related statements of activities, cash flow and functional expenses for the years 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 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 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, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019 on our consideration of Jewish Family Service of Dallas, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jewish Family Service of Dallas, Inc.'s internal control over financial reporting and compliance.

STILL BURTON LLP

Still Burton LLP

Farmers Branch, Texas
December 17, 2019

JEWISH FAMILY SERVICE OF DALLAS, INC.

Statements of Financial Position

July 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,664,508	\$ 729,672
Accounts receivable, net	431,349	130,413
Pledges receivable, net	534,873	1,210,360
Investments at Dallas Jewish Community Foundation	2,564,883	2,707,205
Beneficial interest in net assets of Jewish Family Service of Greater Dallas Foundation	1,213,615	1,035,008
Inventory- resale shops	97,810	62,260
Prepaid expenses	105,387	45,270
Security deposits	8,854	11,455
Total current assets	<u>6,621,279</u>	<u>5,931,643</u>
NON-CURRENT ASSETS		
Property, plant, and equipment, net	2,525,447	2,511,801
Beneficial interest in net assets of Jewish Family Service of Greater Dallas Foundation, less current portion	1,125,478	1,105,907
Total non-current assets	<u>3,650,925</u>	<u>3,617,708</u>
TOTAL ASSETS	<u>\$ 10,272,204</u>	<u>\$ 9,549,351</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 15,000	\$ 15,000
Deferred rent and revenue	122,650	39,615
Accounts payable and accrued expenses	306,532	245,670
Total current liabilities	<u>444,182</u>	<u>300,285</u>
LONG-TERM DEBT, less current portion	340,000	355,000
Total liabilities	<u>784,182</u>	<u>655,285</u>
NET ASSETS		
Without donor restrictions	4,142,572	3,841,971
With donor restrictions	5,345,450	5,052,095
TOTAL NET ASSETS	<u>9,488,022</u>	<u>8,894,066</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,272,204</u>	<u>\$ 9,549,351</u>

See accompanying notes and independent auditor's report.

JEWISH FAMILY SERVICE OF DALLAS, INC.

Statements of Activities

For the Year Ended July 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Jewish Federation of Greater Dallas	\$ 1,027,825	\$ 58,874	\$ 1,086,699
United Way	36,924	554,904	591,828
Grants	160,701	2,182,832	2,343,533
Contributions	954,264	751,310	1,705,574
Contributions-in-kind	155,568	10,080	165,648
Total public support	<u>2,335,282</u>	<u>3,558,000</u>	<u>5,893,282</u>
REVENUE			
Program service fees	558,663	2,969	561,632
Events	517,239	-	517,239
Lifeline staff support	19,950	-	19,950
Fees from Jewish schools	111,108	-	111,108
Resale shop sales	732,562	-	732,562
Changes in net assets of Jewish Family Service of Greater Dallas Foundation	211,639	(13,461)	198,178
Realized gain (loss)/investment income, net	38,228	77,683	115,911
Unrealized gain (loss) on investments	(15,508)	(18,515)	(34,023)
Rental income	143,222		143,222
Miscellaneous income	98,948		98,948
Total revenue	<u>2,416,051</u>	<u>48,676</u>	<u>2,464,727</u>
TOTAL PUBLIC SUPPORT AND REVENUE BEFORE CHANGES IN ASSET RESTRICTIONS	<u>4,751,333</u>	<u>3,606,676</u>	<u>8,358,009</u>
CHANGES IN ASSET RESTRICTIONS:			
Released due to purpose expenditures	<u>3,393,673</u>	<u>(3,393,673)</u>	-
Total assets released from restrictions	<u>3,393,673</u>	<u>(3,393,673)</u>	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>\$ 8,145,006</u>	<u>\$ 213,003</u>	<u>\$ 8,358,009</u>

See accompanying notes and independent auditor's report.

JEWISH FAMILY SERVICE OF DALLAS, INC.

Statements of Activities - Continued

For the Year Ended July 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
EXPENSES			
Program services:			
Counseling/mental health	\$ 3,437,318	\$ -	\$ 3,437,318
Emergency assistance/food pantry	435,024	-	435,024
Older adult	793,517	-	793,517
Volunteer services	73,095	-	73,095
Resale shops	639,204	-	639,204
Career and financial services	424,129	-	424,129
Total program services	<u>5,802,287</u>	<u>-</u>	<u>5,802,287</u>
Supporting services:			
Management and general	1,315,471	-	1,315,471
Fundraising	646,295	-	646,295
Total supporting services	<u>1,961,766</u>	<u>-</u>	<u>1,961,766</u>
TOTAL EXPENSES	<u>7,764,053</u>	<u>-</u>	<u>7,764,053</u>
Changes in net assets	380,953	213,003	593,956
Transfer between funds	(80,352)	80,352	-
Net assets, beginning of year	<u>3,841,971</u>	<u>5,052,095</u>	<u>8,894,066</u>
Net assets, end of year	<u>\$ 4,142,572</u>	<u>\$ 5,345,450</u>	<u>\$ 9,488,022</u>

See accompanying notes and independent auditor's report.

JEWISH FAMILY SERVICE OF DALLAS, INC.

Statements 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	<u>2,090,095</u>	<u>3,403,350</u>	<u>5,493,445</u>
REVENUE			
Program service fees	400,400	12,442	412,842
Events	910,103	-	910,103
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	<u>2,614,011</u>	<u>35,075</u>	<u>2,649,086</u>
TOTAL PUBLIC SUPPORT AND REVENUE BEFORE CHANGES IN ASSET RESTRICTIONS	<u>4,704,106</u>	<u>3,438,425</u>	<u>8,142,531</u>
CHANGES IN ASSET RESTRICTIONS:			
Released due to purpose expenditures	<u>3,434,073</u>	<u>(3,434,073)</u>	<u>-</u>
Total assets released from restrictions	<u>3,434,073</u>	<u>(3,434,073)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>\$ 8,138,179</u>	<u>\$ 4,352</u>	<u>\$ 8,142,531</u>

See accompanying notes and independent auditor's report.

JEWISH FAMILY SERVICE OF DALLAS, INC.

Statements of Activities - Continued

For the Year Ended July 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>5,497,045</u>	<u>-</u>	<u>5,497,045</u>
Supporting services:			
Management and general	1,276,061	-	1,276,061
Fundraising	1,033,072	-	1,033,072
Total supporting services	<u>2,309,133</u>	<u>-</u>	<u>2,309,133</u>
TOTAL EXPENSES	<u>7,806,178</u>	<u>-</u>	<u>7,806,178</u>
Changes in net assets	332,001	4,352	336,353
Transfer between funds	(57,515)	57,515	-
Net assets, beginning of year	<u>3,567,485</u>	<u>4,990,228</u>	<u>8,557,713</u>
Net assets, end of year	<u>\$ 3,841,971</u>	<u>\$ 5,052,095</u>	<u>\$ 8,894,066</u>

See accompanying notes and independent auditor's report.

JEWISH FAMILY SERVICE OF DALLAS, INC.

Statements of Cash Flow

For the Years Ended July 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 593,956	\$ 336,353
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	129,579	91,959
Realized and unrealized (gains) losses	(81,260)	(146,429)
Change in beneficial interest in Jewish Family Service of Greater Dallas Foundation	(198,178)	(61,149)
(Increase) decrease in:		
Inventory	(35,550)	(24,194)
Pledges receivable	675,487	(813,753)
Accounts receivable	(300,936)	26,265
Prepaid expenses	(57,517)	(40,250)
Increase (decrease) in:		
Accounts payable and accrued liabilities	60,861	30,814
Deferred rent and revenue	83,035	28,961
Net cash provided by (used in) operating activities	<u>869,477</u>	<u>(571,423)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investment sales (purchases)	223,582	876,940
Purchase of equipment	<u>(143,223)</u>	<u>(98,449)</u>
Net cash provided by investing activities	<u>80,359</u>	<u>778,491</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	<u>(15,000)</u>	<u>(10,000)</u>
Net cash used in financing activities	<u>(15,000)</u>	<u>(10,000)</u>
Net increase in cash and cash equivalents	934,836	197,068
Cash and cash equivalents at beginning of year	<u>729,672</u>	<u>532,604</u>
Cash and cash equivalents at end of year	<u>\$ 1,664,508</u>	<u>\$ 729,672</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 12,976</u>	<u>\$ 11,513</u>

See accompanying notes and independent auditor's report.

JEWISH FAMILY SERVICE OF DALLAS, INC.
 Statements of Functional Expense
 For the Year Ended July 31, 2019

	Program						Total Program	Management and General	Fundraising	Total
	Counseling/ Mental Health	Emergency Assistance/Food Pantry	Older Adult	Volunteer Services	Resale Shops	Career and Financial Services				
SALARIES AND RELATED BENEFITS										
Program salaries	\$ 2,255,996	\$ 123,917	\$ 481,386	\$ 50,000	\$ 333,920	\$ 342,578	\$ 3,587,797	\$ -	\$ -	\$ 3,587,797
Management/administrative salaries	-	-	-	-	-	-	-	507,515	348,758	856,273
Related benefits	356,378	18,043	77,274	5,260	63,219	62,809	582,983	100,003	66,522	749,508
Total salaries and related benefits	<u>2,612,374</u>	<u>141,960</u>	<u>558,660</u>	<u>55,260</u>	<u>397,139</u>	<u>405,387</u>	<u>4,170,780</u>	<u>607,518</u>	<u>415,280</u>	<u>5,193,578</u>
OTHER EXPENSES										
Specific assistance to individuals	417,069	247,632	188,422	5,325	-	6,647	865,095	-	1,500	866,595
Occupancy	57,323	30	-	-	95,920	-	153,273	288,937	100	442,310
Professional fees and contract payments	173,017	621	4,526	-	31,861	-	210,025	173,969	5,123	389,117
Miscellaneous expense	66,202	4,904	18,603	1,096	38,266	4,805	133,876	51,487	20,952	206,315
Special events	-	-	-	-	-	-	-	-	150,022	150,022
Supplies and hospitalities	34,434	7,674	1,842	3,688	12,887	980	61,505	26,079	15,602	103,186
Equipment maintenance and rental	27,879	6,208	8,228	1,069	6,745	5,214	55,343	20,696	3,076	79,115
Telephone	12,171	862	-	-	18,183	-	31,216	27,605	-	58,821
Local transportation	3,528	1,607	12,994	355	24,736	353	43,573	667	3,593	47,833
Postage, promotional, printing and publicator	4,019	8	12	-	2,799	-	6,838	7,591	21,513	35,942
Subscriptions and publications	9,932	129	25	5,992	1,977	60	18,115	1,118	5,447	24,680
Dues	1,224	394	205	-	-	-	1,823	13,506	755	16,084
Conferences, conventions and meetings	2,551	-	-	310	-	683	3,544	1,024	3,332	7,900
Total expenses other than salaries and related expenses	<u>809,349</u>	<u>270,069</u>	<u>234,857</u>	<u>17,835</u>	<u>233,374</u>	<u>18,742</u>	<u>1,584,226</u>	<u>612,679</u>	<u>231,015</u>	<u>2,427,920</u>
TOTAL EXPENSES BEFORE DEPRECIATION AND INTEREST	<u>3,421,723</u>	<u>412,029</u>	<u>793,517</u>	<u>73,095</u>	<u>630,513</u>	<u>424,129</u>	<u>5,755,006</u>	<u>1,220,197</u>	<u>646,295</u>	<u>7,621,498</u>
Depreciation	15,595	22,995	-	-	8,691	-	47,281	82,298	-	129,579
Interest	-	-	-	-	-	-	-	12,976	-	12,976
Total depreciation and interest	<u>15,595</u>	<u>22,995</u>	<u>-</u>	<u>-</u>	<u>8,691</u>	<u>-</u>	<u>47,281</u>	<u>95,274</u>	<u>-</u>	<u>142,555</u>
TOTAL EXPENSES	<u>\$ 3,437,318</u>	<u>\$ 435,024</u>	<u>\$ 793,517</u>	<u>\$ 73,095</u>	<u>\$ 639,204</u>	<u>\$ 424,129</u>	<u>\$ 5,802,287</u>	<u>\$ 1,315,471</u>	<u>\$ 646,295</u>	<u>\$ 7,764,053</u>

See accompanying notes and independent auditor's report.

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

	Program						Total Program	Management and General	Fundraising	Total
	Counseling/ Mental Health	Emergency Assistance/Food Pantry	Older Adult	Volunteer Services	Resale Shops	Career and Financial Services				
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	<u>2,448,711</u>	<u>149,010</u>	<u>600,997</u>	<u>97,923</u>	<u>340,001</u>	<u>435,191</u>	<u>4,071,833</u>	<u>653,588</u>	<u>486,999</u>	<u>5,212,420</u>
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
Special events	-	-	-	-	-	-	-	-	370,307	370,307
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 publicator	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	<u>616,995</u>	<u>319,478</u>	<u>202,334</u>	<u>11,747</u>	<u>240,009</u>	<u>20,854</u>	<u>1,411,417</u>	<u>532,797</u>	<u>546,073</u>	<u>2,490,287</u>
TOTAL EXPENSES BEFORE DEPRECIATION AND INTEREST	<u>3,065,706</u>	<u>468,488</u>	<u>803,331</u>	<u>109,670</u>	<u>580,010</u>	<u>456,045</u>	<u>5,483,250</u>	<u>1,186,385</u>	<u>1,033,072</u>	<u>7,702,707</u>
Depreciation	7,668	-	-	-	6,127	-	13,795	78,163	-	91,958
Interest	-	-	-	-	-	-	-	11,513	-	11,513
Total depreciation and interest	<u>7,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,127</u>	<u>-</u>	<u>13,795</u>	<u>89,676</u>	<u>-</u>	<u>103,471</u>
TOTAL EXPENSES	<u>\$ 3,073,374</u>	<u>\$ 468,488</u>	<u>\$ 803,331</u>	<u>\$ 109,670</u>	<u>\$ 586,137</u>	<u>\$ 456,045</u>	<u>\$ 5,497,045</u>	<u>\$ 1,276,061</u>	<u>\$ 1,033,072</u>	<u>\$ 7,806,178</u>

See accompanying notes and independent auditor's report.

JEWISH FAMILY SERVICE OF DALLAS, INC.

Notes to the Financial Statements
July 31, 2019 and 2018

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.

JFS has been awarded a 4-star rating by Charity Navigator for seven 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 6% of charities rated have achieved this "exceptional" rating for seven consecutive years, distinguishing JFS as a responsible steward of the public trust.

Summary of Significant Accounting Policies

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 - 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. The state of Texas has adopted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA).

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies - Continued

Summary of Significant Accounting Policies - Continued

- (b) **Net Asset Classification (Continued)** - 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 \$38,784 and \$25,336 at July 31, 2019 and 2018, respectively.
- (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 for the years ended July 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Contributions	\$ 216,046	\$ 88,126
Rental income	69,000	69,000
Investment income (loss)	40,832	50,489
Management and general expenses	<u>(127,700)</u>	<u>(146,466)</u>
Change in net assets	<u>198,178</u>	<u>61,149</u>
Total assets	2,342,169	2,143,475
Total liabilities	<u>(3,076)</u>	<u>(2,560)</u>
Total net assets	<u>\$2,339,093</u>	<u>\$2,140,915</u>

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies - Continued

Summary of Significant Accounting Policies – Continued

(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.

(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, 2019 and 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, 2019 and 2018, there were no allowances for uncollectible pledges receivable.

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies - Continued

Summary of Significant Accounting Policies - Continued

(k) Revenue Recognition and Pledges Receivable (Continued) - 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.

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 24,278 hours at \$25.10 per hour = \$609,382 for the year ended July 31, 2019 (and 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 \$4,681 and \$8,809 which do meet GAAP recognition criteria were recorded for the years ended July 31, 2019 and 2018, respectively.

(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 \$24,400 and \$18,500 in advertising expense for the years ended July 31, 2019 and 2018, respectively.

(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.

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies - Continued
Summary of Significant Accounting Policies - Continued

(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 years ended July 31, 2019 and 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.

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 for the years ended July 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$1,664,508	\$ 729,672
Accounts receivables, net	431,349	130,413
Pledges receivable, net	534,873	1,210,360
Investments at Dallas Jewish Community Foundation	2,564,883	2,707,205
Beneficial interest in net assets of the Foundation:	2,339,093	2,140,915
Financial assets available at year end	<u>\$7,534,706</u>	<u>\$6,918,565</u>

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies - Continued

Summary of Significant Accounting Policies - Continued

(q) Liquidity (Continued):

	2019	2018
Financial assets available at year end	\$ 7,534,706	\$ 6,918,565
Less those unavailable for general expenditures within one year, due to:		
Time or purpose restrictions	(4,152,387)	(3,878,603)
Perpetual endowment restrictions	(1,193,063)	(1,173,492)
Board designations	(249,164)	(234,176)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,940,092	\$ 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, 2019. 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, 2020. Early adoption is permitted. JFS has elected not to early adopt this ASU as of July 31, 2019. Implementation will be required for JFS's fiscal year ended July 31, 2022. Management is currently evaluating any impact on its financial statements.

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 2018

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, 2019. Implementation will be required for JFS’s fiscal year ended July 31, 2020. Management is currently evaluating any impact on its financial statements.

(s) Reclassifications – Special events expense of \$370,707 were reclassified from events revenue, where it was netted, to fundraising expense for the year ended July 31, 2018, to agree with presentation for the year ended July 31, 2019.

2. Property and Equipment

Property and equipment is as follows at July 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,462,253	\$ 1,462,253
Building and improvements	1,571,164	1,571,352
Vehicle	152,023	26,751
Computer equipment and software	254,443	246,338
Furniture and equipment	282,699	272,665
	<u>3,772,582</u>	<u>3,579,359</u>
Accumulated depreciation	<u>(1,197,136)</u>	<u>(1,067,558)</u>
	<u>\$ 2,525,446</u>	<u>\$ 2,511,801</u>

Depreciation expense totaled \$129,579 and \$91,959 for the years ended July 31, 2019 and 2018, respectively.

3. Pledges Receivable

The following schedule summarizes the pledges receivable balances at July 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$528,493	\$ 807,577
One to five years	6,500	413,000
Total	<u>534,993</u>	<u>1,220,577</u>
Net present value discount	<u>(120)</u>	<u>(10,217)</u>
	<u>\$534,873</u>	<u>\$1,210,360</u>

JEWISH FAMILY SERVICE OF DALLAS, INC.

Notes to the Financial Statements - Continued

July 31, 2019 and 2018

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, 2019 and 2018, investments held at the DJCF were as follows:

<u>JFS:</u>	<u>2019</u>	<u>2018</u>
Equity Funds	\$ 154,059	\$ 150,110
Bond Funds	77,029	75,054
Alternative Investment	77,029	75,054
	<u>308,117</u>	<u>300,218</u>
<u>PLAN Housing:</u>		
Equity Funds	916,255	892,764
Bond Funds	458,127	446,382
Alternative Investment	458,127	446,382
	<u>1,832,509</u>	<u>1,785,528</u>
<u>PLAN Endowment:</u>		
Equity Funds	212,129	310,729
Bond Funds	106,064	155,365
Alternative Investment	106,064	155,365
	<u>424,257</u>	<u>621,459</u>
	<u>\$2,564,883</u>	<u>\$2,707,205</u>

The following schedule summarizes the investment income (loss) net of fees and its classification in the statement of activities for the years ended July 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 81,194	\$ 70,734
Realized gain (loss)	34,089	27,972
Unrealized gain (loss)	(34,023)	47,723
Investment fees	(17,791)	(17,838)
Total DJCF	<u>63,469</u>	<u>128,591</u>
Interest-North Dallas Bank & Trust	18,419	-
	<u>\$ 81,888</u>	<u>\$128,591</u>

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 2018

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, 2019 and 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-considered level 2

Mutual funds: Valued in active markets-considered level 1

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.

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 2018

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 2021. 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 during the years ended July 31, 2019 and 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, 2019 and 2018, respectively). The letter of credit is secured by land, buildings and certain other assets of JFS. Interest expense on long-term debt for the years ended July 31, 2019 and 2018 was \$12,976 and \$11,513, respectively. 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.

	2019	2018
Long-term debt	\$355,000	\$370,000
Less: current portion of long-term debt	(15,000)	(15,000)
	\$340,000	\$355,000

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

2020	\$ 15,000
2021	15,000
2022	15,000
2023	15,000
2024	20,000
Thereafter	275,000
	\$355,000

JFS obtained an unsecured, revolving line of credit of \$500,000 from North Dallas Bank and Trust (Bank) in October 2018, initially maturing January 31, 2019, with annual renewals anticipated thereafter. Prior to its maturity, the line of credit was renewed, with a current maturity of January 31, 2020. Interest is due monthly and unpaid principal and interest are 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). JFS also signed a Negative Pledge Agreement which states that JFS agrees not to transfer or encumber certain real property without Bank's prior written consent. No draw has been made on the line of credit as of July 31, 2019.

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, 2019 and 2018:

	2019	2018
Reserve fund	\$ 54,632	\$ 54,632
Building repair and replacement fund	91,373	91,373
Building fund	289,394	289,394
Contingency fund	1,276,018	1,261,030
	\$1,711,417	\$1,696,429

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 2018

8. With Donor Restrictions Net Assets

With donor restrictions for JFS are as follows at July 31, 2019 and 2018:

<u>Temporarily-restricted:</u>	<u>2019</u>	<u>2018</u>
Dallas Foundation	\$ 85,251	\$ 65,000
Margot Rosenberg Pulitzer Foundation	4,000	12,330
Dallas Jewish Women International Philanthropic Fund	50,000	25,049
Dallas Women's Foundation	-	55,282
Fichtenbaum Charitable Trust	50,000	50,000
On the Job Training Fund	4,209	17,644
Rees-Jones Foundation	400,000	628,220
Food Pantry Truck Fund	12,000	49,756
Jewish Family Service of Greater Dallas Foundation	841,762	874,795
Meadows Foundation	-	14,872
Wolff Fund	48,973	48,973
ORIX Foundation	5,953	17,321
Breast Cancer Support Services	-	20,962
Zale Financial Assistance	5,622	20,922
Substance Abuse Fund	19,984	23,035
Fannie and Stephen Kahn Foundation	18,297	18,997
Reserve Fund	577,000	93,300
PLAN Housing Fund	1,832,509	1,785,528
Dallas Area Agency on Aging	22,389	31,738
Other restricted	41,785	24,879
Leland Fikes Foundation	50,000	-
Wells Fargo Bank	25,000	-
BB&T Bank	25,000	-
Roseland Park Fund	17,785	-
Priya Fund	14,868	-
Total temporarily-restricted	<u>4,152,387</u>	<u>3,878,603</u>
<u>Permanently-restricted:</u>		
Jewish Family Service of Greater Dallas Foundation	1,125,478	1,105,907
JFS Reserve endowment fund	64,644	64,644
S. Blumberg endowment fund	241	241
Pinker Family endowment fund	2,700	2,700
Total permanently-restricted endowments	<u>1,193,063</u>	<u>1,173,492</u>
Total with donor restrictions	<u><u>\$5,345,450</u></u>	<u><u>\$5,052,095</u></u>

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 2018

8. With Donor Restrictions Net Assets- Continued

Total released from with donor restricted net assets was \$3,393,673 and \$3,434,073 for the years ended July 31, 2019 and 2018, respectively.

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

	2019	2018
Subject to expenditure for specified purpose:		
Counseling/mental health services	\$2,467,290	\$2,588,151
Older adult services	131,973	115,735
Emergency assistance and food pantry services	32,095	94,433
Career and financial services	53,294	63,216
Beneficial interest in the Foundation-earnings	841,762	874,795
	<u>3,526,414</u>	<u>3,736,330</u>
Subject to JFS/ spending policy and appropriation:		
Operating reserves	<u>625,973</u>	<u>142,273</u>
Not subject to appropriation or expenditure:		
Beneficial interest in the Foundation-endowment	1,125,478	1,105,907
JFS reserve endowment	64,644	64,644
S. Blumberg endowment	241	241
Pinker family endowment	2,700	2,700
	<u>1,193,063</u>	<u>1,173,492</u>
Total net assets with donor restrictions	<u><u>\$5,345,450</u></u>	<u><u>\$5,052,095</u></u>

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.

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.

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 2018

8. With Donor Restrictions Net Assets- Continued

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 years ended July 31, 2019 and 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	3,475,189	-	3,475,189
Change in JFSF beneficial interest	37,512	(16,761)	20,751
Restriction released	<u>(3,434,073)</u>	<u>-</u>	<u>(3,434,073)</u>
Balance July 31, 2018	\$ 3,878,603	\$1,173,492	\$5,052,095
Contributions and other income	3,700,489	-	3,700,489
Change in JFSF beneficial interest	(33,032)	19,571	(13,461)
Restriction released	<u>(3,393,673)</u>	<u>-</u>	<u>(3,393,673)</u>
Balance July 31, 2019	<u>\$ 4,152,387</u>	<u>\$1,193,063</u>	<u>\$ 5,345,450</u>

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 2018

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 sub-lease are as follows for the years ended July 31:

2020	\$ 76,800
2021	76,800
2022	76,800
2023	76,800
2024	76,800
Thereafter	<u>108,800</u>
Total	<u>\$492,800</u>

JFS is obligated under leases for office equipment and building space. The 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 \$222,400 and \$167,000 for the years ended July 31, 2019 and 2018, respectively.

Future minimum lease payments under operating leases at July 31, 2019:

2020	\$182,923
2021	127,021
2022	63,658
2023	9,444
2024	<u>-</u>
Total future minimum lease payments	<u>\$ 383,046</u>

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 \$2,339,093 and \$2,140,915 as of July 31, 2019 and 2018, respectively. Distributions to JFS are determined by the Foundation's Board of Directors and are recorded upon approval. A distribution of \$61,780 and \$56,304 was made to JFS during the years ended July 31, 2019 and 2018, respectively. For the years ended July 31, 2019 and 2018, JFS billed allocated administrative costs to the Foundation totaling \$35,849 and \$37,483, respectively.

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 \$1,086,699 and \$876,434 for the years ended July 31, 2019 and 2018, respectively.

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to the Financial Statements - Continued
July 31, 2019 and 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 \$34,900 and \$62,500 for the years ended July 31, 2019 and 2018, respectively.

12. Special Events

JFS conducts special events for fund-raising purposes. For the years ended July 31, 2019 and 2018, these special events benefitted JFS as follows:

	<u>2019</u>	<u>2018</u>
Revenue from events	\$ 517,239	\$ 910,103
Expenses from events	<u>(150,022)</u>	<u>(370,307)</u>
Net	<u>\$ 367,217</u>	<u>\$ 539,796</u>

13. Subsequent Events

Subsequent events were evaluated through December 17, 2019 which is the date of the financial statements were available to be issued.

On August 1, 2019, JFS gave a 60-day notice to terminate the Phillips Lifeline contract and a 90-day notice to terminate the lease at the JFS Thrift Store in Garland.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the *Uniform Guidance*

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Jewish Family Service of Dallas, Inc. (the Organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended July 31, 2019. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended July 31, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

STILL BURTON LLP



Farmers Branch, Texas
December 17, 2019

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jewish Family Service of Dallas, Inc. (the Organization), which comprise the statement of financial position as of July 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Still | Burton LLP

CERTIFIED PUBLIC ACCOUNTANTS

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Jewish Family Service of Dallas, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

STILL BURTON LLP

Still Burton LLP

Farmers Branch, Texas
December 17, 2019

JEWISH FAMILY SERVICE OF DALLAS, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended July 31, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Justice passed through			
Texas Office of the Governor-Criminal Justice Division:			
Family Safety and Justice Center: Adult and Children Services	16.575	2016-VA-GX-0033	\$ 385,483
Victims of Crime Act Formula Grant Program	16.575	2017-VA-GX-0006	<u>624,992</u>
		Sub-total 16.575	1,010,475
U.S. Department of Homeland Security			
The Emergency Food and Shelter National Board Program (EFSP)	97.024		<u>37,118</u>
Total Federal Expenditures			<u><u>\$ 1,047,593</u></u>

JEWISH FAMILY SERVICE OF DALLAS, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended July 31, 2019

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Schedule of Expenditures of Federal Awards (the Schedule) includes the activity of all federal programs administered by Jewish Family Service of Dallas, Inc. (JFS). JFS' organization is defined in Note 1 of JFS' basic financial statements.

(b) Basis of Presentation

The Schedule presents total federal awards expended for each individual program in accordance with the *Uniform Guidance*.

(c) Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 1 of JFS' basic financial statements.

(2) Relationship to Federal Financial Reports

The amounts reported in the financial reports agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 1 of JFS' financial statements.

(3) Insurance Coverage

JFS carried all required insurance coverage during the grant period.

(4) Subrecipients

JFS made no payments to subrecipients during the year.

(5) Indirect Cost Rate

JFS is subject to negotiated indirect cost rates and, therefore, is not eligible to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*, section 414.

JEWISH FAMILY SERVICE OF DALLAS, INC.
 Schedule of Findings and Questioned Costs
 Year Ended July 31, 2019

Section I - Summary of Auditors' Results

A Financial Statements

Type of auditor's report issued: **Unqualified opinion**

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified that are not considered to be material weaknesses? **None**

Noncompliance material to financial statements noted? **No**

B. Federal Awards

Internal control over compliance:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified that are not considered to be material weaknesses? **None**

Type of auditor's report issued on compliance for major federal program: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Subpart A §200.5 of the Uniform Guidance? **No**

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.575	Family Safety and Justice Center: Adult and Children Services and Victims of Crime Act Formula Grant program

Dollar threshold used to distinguish programs: **\$750,000**

Auditee qualified as low-risk auditee: **No**

Section II - Financial Statement Findings

None

Section III (A) – Federal Award Findings and Questioned Costs

None

Section IV (A) – Summary Schedule of Federal Prior Audit Findings

None