

JEWISH CHILDREN'S REGIONAL SERVICE
FINANCIAL STATEMENTS AS OF AND
FOR THE YEAR ENDED JULY 31, 2019



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Jewish Children's Regional Service

We have audited the accompanying financial statements of Jewish Children's Regional Service (a nonprofit 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.

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.

Auditors' 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.

To the Board of Directors
Jewish Children's Regional Service
May 29, 2020

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Children's Regional Service as of July 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, Jewish Children's Regional Service adopted the Financial Accounting Standards Board's ASU 2016-14, *Not-for-Profit Entities*, for the year ended July 31, 2019. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 21 through 23 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 audit 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.

May 29, 2020
New Orleans, Louisiana



Certified Public Accountants

JEWISH CHILDREN'S REGIONAL SERVICE
STATEMENT OF FINANCIAL POSITION
JULY 31, 2019

ASSETS:

Cash and cash equivalents	\$ 102,439
Investments	10,318,223
Student loans, net of allowance of \$38,598	48,879
Contributions receivable	17,867
Bequest receivable	6,213
Perpetual trust	24,526
Office equipment, net of accumulated depreciation	<u>1,086</u>
 Total assets	 <u>\$ 10,519,233</u>

LIABILITIES:

Accounts payable	\$ 631
Accrued expenses	<u>211</u>
 Total liabilities	 <u>842</u>

NET ASSETS:

Without donor restrictions:	
Legacy funds (board designated)	5,122,695
Other board designated endowment funds	3,858,951
Undesignated unendowed net assets without donor restrictions	<u>90,103</u>
 Total without donor restrictions	 <u>9,071,749</u>
With donor restrictions:	
Legacy funds (donor restricted)	1,378,775
Other donor restricted funds	<u>67,867</u>
 Total with donor restrictions	 <u>1,446,642</u>
 Total net assets	 <u>10,518,391</u>
 Total liabilities and net assets	 <u>\$ 10,519,233</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEWISH CHILDREN'S REGIONAL SERVICE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2019

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
<u>Support and Other Revenues:</u>			
Contributions:			
General contributions	\$ 601,071	\$ 103	\$ 601,174
Special events	242,417	-	242,417
Education	110,309	54,144	164,453
Hanukkah program	450	50,000	50,450
Special needs	78,742	10,643	89,385
PJ Library	49,226	-	49,226
Camp	11,616	24,639	36,255
Other program contributions	18,055	-	18,055
Federation allocations	84,200	-	84,200
Interest and dividends, net	220,378	36,707	257,085
Change in value of investments	254,461	42,383	296,844
Net assets released from restrictions	<u>251,887</u>	<u>(251,887)</u>	<u>-</u>
 Total unrestricted support and other revenues	 <u>1,922,812</u>	 <u>(33,268)</u>	 <u>1,889,544</u>
 <u>Expenses:</u>			
Program services:			
Special needs	321,162	-	321,162
Education	366,315	-	366,315
Camp	308,245	-	308,245
PJ Library	132,238	-	132,238
Family life	115,872	-	115,872
Hanukkah program	102,556	-	102,556
Supporting services:	-	-	-
Fundraising	161,949	-	161,949
General and administrative	<u>136,082</u>	<u>-</u>	<u>136,082</u>
 Total expenses	 <u>1,644,419</u>	 <u>-</u>	 <u>1,644,419</u>
 Change in net assets	 278,393	 (33,268)	 245,125
 Net assets, beginning of year	 <u>8,793,356</u>	 <u>1,479,910</u>	 <u>10,273,266</u>
 Net assets, end of year	 <u>\$ 9,071,749</u>	 <u>\$ 1,446,642</u>	 <u>\$ 10,518,391</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEWISH CHILDREN'S REGIONAL SERVICE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2019

	Program Services						Supporting Services		Total
	Special Needs	Education	Camp	PJ Library	Family Life	Hanukkah Program	Fundraising	Management and General	
Direct assistance to individuals	\$ 156,026	\$ 221,112	\$ 197,725	\$ 34,940	\$ -	\$ 52,290	\$ -	\$ -	\$ 662,093
Salaries - professional	65,856	50,213	22,601	59,186	43,401	20,746	103,277	26,484	391,764
Salaries - clerical	21,614	20,744	17,439	9,400	3,604	9,876	11,786	7,806	102,269
Meeting expense	19,878	19,878	19,878	6,957	9,939	2,981	9,939	9,938	99,388
Employee benefits	16,616	14,141	10,687	10,191	8,270	4,237	16,828	6,662	87,632
Miscellaneous	-	-	-	-	-	-	-	61,707	61,707
Printing	7,941	7,894	7,894	3,130	23,074	1,301	4,209	4,021	59,464
Utilities, rent, and maintenance	8,861	8,861	8,741	-	7,556	7,415	4,371	6,561	52,366
Bookkeeping and audit fees	9,311	9,311	9,311	3,259	4,655	1,397	4,655	4,654	46,553
Postage	2,321	2,290	2,251	1,074	9,462	607	1,025	1,888	20,918
Insurance	3,364	3,364	3,364	1,177	1,682	505	1,682	1,683	16,821
Office supplies	2,604	2,604	2,604	911	1,302	391	1,302	1,300	13,018
Travel - staff	2,354	2,354	2,354	824	1,177	353	1,177	1,177	11,770
Bank charges	1,494	1,494	1,494	523	747	224	747	748	7,471
Telephone	1,886	1,019	866	303	485	78	433	933	6,003
Dues and reference manual	974	974	974	341	487	146	487	489	4,872
Depreciation	62	62	62	22	31	9	31	31	310
Total expenses	\$ 321,162	\$ 366,315	\$ 308,245	\$ 132,238	\$ 115,872	\$ 102,556	\$ 161,949	\$ 136,082	\$ 1,644,419

See accompanying NOTES TO FINANCIAL STATEMENTS

JEWISH CHILDREN'S REGIONAL SERVICE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2019

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:

Change in net assets	\$ 245,125
Adjustments to reconcile changes in net assets to cash from (used in) operating activities:	
Depreciation expense	310
Contributions of stock	19,591
Net realized and unrealized gains on investments	296,844
Changes in operating assets and liabilities:	
(Increase)/decrease in:	
Student loans	3,603
Increase/(decrease) in:	
Accounts payable	631
Accrued expenses	<u>(833)</u>
Net cash from operating activities	<u>565,271</u>

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:

Cash paid for purchase of fixed assets	(53)
Proceeds from sale of investments	44,260
Purchases of investments	<u>(759,209)</u>
Net cash (used in) investing activities	<u>(715,002)</u>
Net (decrease) in cash and cash equivalents	(149,731)
Cash and cash equivalents at beginning of year	<u>252,170</u>
Cash and cash equivalents at end of year	<u><u>\$ 102,439</u></u>

See accompanying NOTES TO FINANCIAL STATEMENTS

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

In 1855, the Association for the Relief of Jewish Widows and Orphans was established and incorporated to operate a home and care for victims of a yellow-fever epidemic. In 1880, the organization was reincorporated as the Jewish Children's Home. Due to a diminishing number of children living at the home, in 1945 the Board voted to close the home and in 1948 sold the land to the Jewish Community Center. In 1951, the Board voted to return to the center and operate its own regional program covering the seven states of the B'nai B'rith District 7.

Over the years, various program services were developed, including the placement and support of troubled Jewish children, scholarships for education, and Jewish summer camps for Jewish children from low income families, adoption services, and counseling and consultation services. In 1978, the agency was reincorporated and provided in the charter for a name change. The name approved by the Board was Jewish Children's Regional Service of Jewish Children's Home. On July 7, 1999, the name of the organization was changed to Jewish Children's Regional Service (JCRS).

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-210-50-3, JCRS is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of JCRS. JCRS's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of JCRS or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, JCRS considers all short-term investments with an initial maturity of three months or less to be cash equivalents.

Bequests Receivable

JCRS has been named as a beneficiary in numerous wills. Such bequests are not recognized as contributions by JCRS until the earlier of receipt of the assets or confirmation that such bequests are irrevocable. At July 31, 2019, JCRS had \$6,213 of bequests receivable outstanding.

Investments

Investments in common stock, mutual funds, exchange traded funds, money market funds and marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, emphasizes market-based measurement and, in doing so, stipulates a fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

Level 1 lies at the top of the hierarchy; inputs are quoted prices in active markets.

Level 2 inputs are in the middle of the hierarchy, where data is adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.

Level 3 inputs are unobservable and require the entity to develop its own assumptions.

No Level 2 or Level 3 inputs were used by JCRS.

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to JCRS are reported at fair value at the date the promise is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year they are received are reflected as contributions without restrictions in the accompanying financial statements.

Bequests

Bequest income is recorded in these financial statements when JCRS is notified of donation subsequent to the death of the donor.

Investments

Investments, consisting of stocks and bonds, are recorded at fair value. Unrealized gains and losses on investments in equity securities with readily available market values are recorded in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Dividend, interest, and other investment income are recorded as increases in net assets without donor restrictions unless the use is restricted by the donor.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 whose useful lives extend beyond a one-year period and betterments which naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Property and equipment are stated at historical cost or estimated fair value at the date of donation.

Depreciation is provided on the straight-line basis over the following estimated useful lives of the assets:

Buildings and improvements	5-20 Years
Furniture and equipment	5-7 Years

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, JCRS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. JCRS reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Public Support and Revenue

JCRS accounts for contributions in accordance with the recommendations of FASB ASC Topic 958, *Accounting for Contributions Received and Contributions Made*. Contributions are reported as increases in net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional Allocation of Expenses

The cost of providing the various programs and other activities are summarized on a functional basis in the statement of activities and changes in net assets. Certain expenses which cannot be specifically identified by function type are allocated among the programs and supporting services based on management's estimate of usage.

Educational Assistance

JCRS offers two forms of educational assistance to students - grants and no-interest loans. The grant funds are generally given to college freshmen and sophomores; whereas the no-interest loans are generally given to juniors and seniors.

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Uncollectible Loans

JCRS provides for uncollectible student loans through an allowance for uncollectible loans. Management's periodic evaluation of the adequacy of the allowance is based on JCRS's past loan experience, specific impaired loans, adverse situations that may affect the borrower's ability to pay, and current economic conditions. Impaired loans are identified when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired and the collection is doubtful. Because it is the intent of JCRS to stay in contact with student borrowers for reasons other than collections, loans are generally not written off until it is determined by management that, after all efforts are exhausted, a loan will not be collected.

Income Taxes

JCRS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to JCRS's tax-exempt purpose is subject to taxation as unrelated business income. In addition, JCRS qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

JCRS's evaluation as of July 31, 2019 revealed no tax positions that would have a material impact on the financial statements. The 2016 through 2018 tax years remain subject to examination by the IRS. JCRS does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. JCRS has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

Subsequent events have been evaluated through May 29, 2020, which is the date the financial statements were available to be issued.

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects JCRS's financial assets as of July 31, 2019 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the endowment fund that could be drawn upon if the governing board approves that action. However, \$375,000 has already been appropriated from the endowment for general expenditure within one year of the balance sheet date and therefore, has not been subtracted as unavailable.

Financial assets, at year end	\$ 10,420,662
Less those unavailable for general expenditure within one year due to:	
Unappropriated board-designated endowment fund	(8,606,646)
Donor-restricted endowment fund	(1,348,036)
Donor-restricted funds	<u>(50,000)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 415,980</u>

As part of the JCRS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. JCRS has assets held in an endowment which are in excess of amounts held to handle daily cash requirements. Although JCRS does not intend to spend from its board designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from its endowment could be made available if necessary.

(3) INVESTMENTS

The fair value of investments is as follows at July 31:

Common stocks	\$ 508,351
Money market	160,982
Mutual funds	8,744,262
Exchange traded funds	706,915
Pooled investment fund	<u>197,713</u>
	<u>\$ 10,318,223</u>

The pooled investment fund is held by the Dallas Jewish Community Foundation and is valued using net asset value as a practical expedient to estimate fair value. Participant transactions (purchases and sales) may occur daily. The value of funds held by the Dallas Jewish Community Foundation was \$197,713 at July 31, 2019.

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(3) INVESTMENTS (CONTINUED)

The fair value of investments on a recurring basis are comprised of the following:

	Based On			
Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Assets Measured at Fair Value July 31, 2019	
Common stocks	\$ 508,351	\$ -	\$ -	\$ 508,351
Money Market	160,982	-	-	160,982
Mutual funds	8,744,262	-	-	8,744,262
Exchange traded funds	<u>706,915</u>	<u>-</u>	<u>-</u>	<u>706,915</u>
	<u>\$ 10,120,510</u>	<u>\$ -</u>	<u>\$ -</u>	10,120,510
Assets Valued at Net Asset Value per Share				<u>197,713</u>
Investments, at Fair Value				<u>\$ 10,318,223</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended July 31:

	2019
Dividends and interest	\$ 283,055
Net realized and unrealized gains	296,844
Investment expenses	<u>(25,970)</u>
Total return on investments	<u>\$ 553,929</u>

(4) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at July 31, 2019:

Office equipment	120,427
Less: accumulated depreciation	<u>(119,341)</u>
Total	<u>\$ 1,086</u>

Depreciation expense for the year ended July 31, 2019 was \$310.

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(5) STUDENT LOANS

Loans are made to college students who are in their junior and senior years. The loans are interest free, and payments on the loans one year after graduation. The schedule of loans outstanding as of ended July 31, 2019 was as follows:

Loans outstanding, July 31, 2018	\$	91,080
Loans initiated		13,047
Loans collected		<u>(16,650)</u>
Loans outstanding, July 31, 2019		87,477
Allowance for Uncollectible Loans		<u>(38,598)</u>
Loans Outstanding, Net, July 31, 2019	\$	<u>48,879</u>

(6) CONTRIBUTIONS RECEIVABLE

Contribution receivable as of July 31, 2019 total \$17,867 and consisted of the restricted pledge of the cash surrender value of two life insurance policies.

(7) PERPETUAL TRUST

JCRS is a named recipient in a perpetual trust. JCRS receives the income from the trust principal over the life of the trust or JCRS, whichever is shorter. The present value of the future cash flows from the trust is reported in the statement of financial position. The value of the trust as of July 31, 2019 is \$24,526.

(8) ENDOWMENT FUNDS

JCRS's endowment was established for a variety of purposes, including camp, education, and special needs for Jewish children. Its endowment is comprised of both net assets with and without donor restrictions. The portion without donor restrictions of the endowment represents amounts designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Managers to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The JCRS' endowment includes approximately 150 legacy funds with various levels and types of restrictions. Funds with donor restrictions remaining are held in "Legacy funds (donor restricted)" on the accompanying statement of net position. Funds without donor restrictions have been designated by the Board of Directors to function as endowment amounts and are included in "Legacy funds (board designated)" on the accompanying statement of net position.

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(8) ENDOWMENT FUNDS (CONTINUED)

The *Not-for-Profit Entities* Topic 958 of the FASB Accounting Standards Codification provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). JCRS follows UPMIFA and its own governing documents. The *Not-for-Profit Entities* Topic also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds).

The Board of Directors of JCRS has interpreted the State of Louisiana's UPMIFA as requiring the preservation of the fair value of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, JCRS classifies as restricted net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by JCRS in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, JCRS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 JCRS, and (7) JCRS's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

JCRS has adopted investment and spending policies, approved by the Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity securities and a pooled investment fund that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, JCRS expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(8) ENDOWMENT FUNDS (CONTINUED)

Spending Policies

JCRS has a policy of appropriating for distribution each year 5% of its endowment fund's fair value at the beginning of the year in which the distribution is planned. In establishing this policy, JCRS considered the long-term expected return on its investment assets, the nature and duration of donor restrictions, and the possible effects of inflation. JCRS expects the current spending policy to allow its endowment to grow at a nominal average rate of 3% annually, which is consistent with JCRS's objective to maintain purchasing power of the endowment assets as well as to provide additional real growth through investment return. At year-end, investment income, investment expenses, and unrealized/realized gains (losses) on investments are allocated to each purpose restriction type based on an average of prior year's balance and prior year's balance plus current year contributions.

Endowment Net Asset Composition by Type of Fund as of July 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,378,775	\$ 1,378,775
Board-designated endowment funds	<u>8,981,646</u>	<u>-</u>	<u>8,981,646</u>
Total endowment funds	<u>\$ 8,981,646</u>	<u>\$ 1,378,775</u>	<u>\$ 10,360,421</u>

Change in endowment net assets as of July 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Endowment net assets, 7/31/2018	\$ 8,724,047	\$ 1,453,070	\$ 10,177,117
Contributions	50,383	89,529	139,912
Interest and dividends, net	220,378	36,707	257,085
Net realized and unrealized gains	254,461	42,383	296,844
Release of program expenses	242,914	(242,914)	-
Amounts appropriated for expenditure	<u>(510,537)</u>	<u>-</u>	<u>(510,537)</u>
Total endowment funds	<u>\$ 8,981,646</u>	<u>\$ 1,378,775</u>	<u>\$ 10,360,421</u>

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(9) RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions were released from restrictions for the following purposes during the year ended July 31:

	2019
Education	\$ 218,786
Special needs	10,890
Camp	22,108
Other	103
	\$ 251,887

(10) RISKS AND UNCERTAINTIES

JCRS invests in various investments including stocks and fixed income obligations. Investment securities, in general, are subject to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments could occur in the near term and that such change could materially affect amounts reported on the financial statements.

JCRS maintains its cash balances in financial institutions located in Louisiana. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At July 31, 2019, there were no uninsured cash balances.

(11) OPERATING LEASES

JCRS leases 2,507 square feet of office space through an operating lease agreement. Payments are under the lease range from \$3,447 to \$3,656 per month until the agreement terminates on July 31, 2020. Rent expense associated with this lease for the year ended July 31, 2019 was \$43,872. The future minimum lease payments under the lease are \$43,872 to be paid in the year ended July 31, 2020.

(12) DEFINED CONTRIBUTION PLAN

Effective January 1, 2014, JCRS established the Jewish Children's Regional Service 401 (k) Plan (the Plan). The Plan is considered a defined contribution plan and is administered by JCRS. Employees of JCRS are eligible to participate in the Plan if they are age twenty-one or older and have completed at least one year of service. JCRS is required to make a safe harbor non-elective contribution to the account of each eligible participant equal to 3% of the employee's compensation for the plan year. During the year ended July 31, 2019, JCRS made employer contributions to the Plan in the amount of \$13,068.

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(13) EXECUTIVE SALARY CONTINUATION PLAN

On March 29, 2015, JCRS adopted the Jewish Children's Regional Service Executive Salary Continuation Plan (the ESCP) to provide certain deferred compensation benefits for the Executive Director (the Participant). The ESCP is intended to be an unfunded supplemental retirement plan, in the form of a deferred compensation plan under Section 457(f) of the Internal Revenue Code.

The sole eligible participant under the ESCP is the Executive Director. The Executive Director shall become 100% vested in his benefit under the ESCP upon (a) serving continuous employment from the effective date through the normal retirement date or (b) upon death, disability, or without cause termination. If the Participant has a termination of employment prior to the vesting date, he shall not vest in any benefit under the ESCP, and all benefits under the ESCP shall be immediately forfeited, null and void. The Participant shall be eligible for a lump sum benefit as of his normal retirement date. The benefit shall be valued as of its respective valuation date and payable as of its respective vesting date only to the extent it becomes 100% vested.

The normal retirement benefit amount determined as of, and payable at, normal retirement date (January 1, 2019) shall be computed as follows:

The lump sum actuarial equivalent of the amount necessary to provide a commercial, qualified annuity from an A.M. Best A+ rated insurer (as selected by the Administrator) equal to \$3,918 per month (\$47,016 per year) for a 65-year-old male.

The annuity shall be a single life only annuity with a cost-of-living increase adjustment equal to the consumer price index for a given year not to exceed 2%. The lump sum shall be reduced by (a) the lump sum distribution received or direct rolled by the Participant from the pension plan from the residual assets, plus (b) interest on the lump sum distribution in (a) above credited at the rate of 3% per annum, compounded annually from the date of distribution through January 1, 2019.

The actuarial equivalent shall be determined by taking the purchase price of the annuity above (which is determined as of the normal retirement date) and increasing the amount by 4% per annum from August 1, 2016 through January 1, 2019, compounded annually.

The liability associated with the ESCP is accrued based on the expected lump sum premium required to purchase the annuity above, offset by funds available from prior distributions to the Participant from the previously discontinued defined benefit plan. As of July 31, 2019, the funds available to offset the liability are greater than the premium required to fund the annuity. Therefore, at July 31, 2019, JCRS did not report a liability for the deferred compensation plan payable on the statement of financial position.

JEWISH CHILDREN’S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(14) JOINT COSTS

JCRS produces and distributes several newsletters that are used to educate the public, request public participation on programs, and to inform donors about JCRS's activities. The major operating costs are postage and printing.

Total joint costs incurred of \$80,382 for the year ended July 31, 2019 were allocated on the statement of activities and changes in net assets as follows:

<u>Allocation</u>	<u>Percent</u>	<u>Amount</u>
Education	2%	\$ 1,608
Camp	2%	1,608
Special Needs	2%	1,608
PJ Library	3%	2,411
Family Life	83%	66,716
Hanukkah	2%	1,608
General and Administrative	2%	1,608
Fundraising	4%	<u>3,215</u>
Total		<u>\$ 80,382</u>

(15) MINERAL RIGHTS

JCRS received a donation of mineral rights several decades ago. The mineral rights asset is considered another investment which is not included in the financial statements due to the immaterial value at the time of the donation. JCRS leases these mineral rights to an exploration company in exchange for an initial lease payment, plus royalties valued based on extraction volume and market prices. The lease payment and royalties for the year ended July 31, 2019 totaled \$38,196 and are included in other income on the statement of activities and changes in net assets. As described in note 18, these mineral rights were sold during the year ended July 31, 2020.

(16) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-02, “Leases.” This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Deferring the effective date of Update No. 2016-02, the FASB has issued Update No. 2019-10, “Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842).” Update No. 2019-10 permits entities to apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2020, and to interim reporting periods within annual reporting periods beginning after December 15, 2021. The FASB further delayed the implementation date by one year on May 20, 2020. Entities may now apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2021, and to interim reporting periods within annual reporting periods beginning after December 15, 2022. The Company plans to adopt this Update as applicable by the effective date.

JEWISH CHILDREN'S REGIONAL SERVICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JULY 31, 2019

(16) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The FASB has issued Update No. 2018-08, “*Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.*” The amendments in this Update clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments in this Update require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. JCRS plans to adopt this Update as applicable by the effective date.

(17) SUBSEQUENT EVENT – SALE OF MINERAL RIGHTS

On August 1, 2019, the Board of Directors approved a motion to sell the mineral rights discussed in Note 15 for \$973,455. The sale was completed and recorded during the year ended July 31, 2020.

(18) SUBSEQUENT EVENT – CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to JCRS' operations. Future potential impacts may include disruptions in operations, restrictions on employees' ability to work, and further decreases in endowment funds available. The future effects of these issues are unknown.

JEWISH CHILDREN'S REGIONAL SERVICE
SCHEDULE OF OPERATING AND ENDOWMENT FUND FINANCIAL POSITION
JULY 31, 2019

	<u>Operating Fund</u>		<u>Endowment Fund</u>		<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
<u>ASSETS:</u>					
Cash and cash equivalents	\$ 40,980	\$ 50,000	\$ 11,459	\$ -	\$ 102,439
Investments	-	-	8,970,187	1,348,036	10,318,223
Student loans, net of allowance	48,879	-	-	-	48,879
Contributions receivable	-	17,867	-	-	17,867
Bequest receivable	-	-	-	6,213	6,213
Perpetual trust	-	-	-	24,526	24,526
Office equipment, net of accumulated depreciation	<u>1,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,086</u>
 Total assets	 <u>\$ 90,945</u>	 <u>\$ 67,867</u>	 <u>\$ 8,981,646</u>	 <u>\$ 1,378,775</u>	 <u>\$ 10,519,233</u>
 <u>LIABILITIES:</u>					
Accounts payable	\$ 631	\$ -	\$ -	\$ -	\$ 631
Accrued expenses	<u>211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211</u>
 Total liabilities	 <u>842</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>842</u>
 <u>NET ASSETS:</u>					
Without donor restrictions	90,103	-	8,981,646	-	9,071,749
With donor restrictions	<u>-</u>	<u>67,867</u>	<u>-</u>	<u>1,378,775</u>	<u>1,446,642</u>
 Total net assets	 <u>90,103</u>	 <u>67,867</u>	 <u>8,981,646</u>	 <u>1,378,775</u>	 <u>10,518,391</u>
 Total liabilities and net assets	 <u>\$ 90,945</u>	 <u>\$ 67,867</u>	 <u>\$ 8,981,646</u>	 <u>\$ 1,378,775</u>	 <u>\$ 10,519,233</u>

JEWISH CHILDREN'S REGIONAL SERVICE
SCHEDULE OF OPERATING AND ENDOWMENT FUND ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2019

	Operating Fund		Endowment Fund		Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
<u>Support and Other Revenues:</u>					
Contributions:					
General contributions	\$ 601,071	\$ -	\$ -	\$ 103	\$ 601,174
Special events	242,417	-	-	-	242,417
Education	65,826	-	44,483	54,144	164,453
Hanukkah program	450	50,000	-	-	50,450
Special needs	73,654	-	5,088	10,643	89,385
PJ Library	49,226	-	-	-	49,226
Camp	10,804	-	812	24,639	36,255
Other program contributions	18,055	-	-	-	18,055
Federation allocations	84,200	-	-	-	84,200
Interest and dividends, net	-	-	220,378	36,707	257,085
Change in value of investments	-	-	254,461	42,383	296,844
Net assets released from restrictions	8,973	(8,973)	242,914	(242,914)	-
Total unrestricted support and other revenues	1,154,676	41,027	768,136	(74,295)	1,889,544
<u>Expenses:</u>					
Program services:					
Special needs	306,537	-	14,625	-	321,162
Education	264,403	-	101,912	-	366,315
Camp	289,245	-	19,000	-	308,245
PJ Library	132,238	-	-	-	132,238
Family life	115,872	-	-	-	115,872
Hanukkah program	102,556	-	-	-	102,556
Supporting services:					
Fundraising	161,949	-	-	-	161,949
General and administrative	136,082	-	-	-	136,082
Total expenses	1,508,882	-	135,537	-	1,644,419
Change in net assets before transfers	(354,206)	41,027	632,599	(74,295)	245,125
Transfers to and from funds	375,000	-	(375,000)	-	-
Change in net assets	20,794	41,027	257,599	(74,295)	245,125
Net assets, beginning of year	69,309	26,840	8,724,047	1,453,070	10,273,266
Net assets, end of year	\$ 90,103	\$ 67,867	\$ 8,981,646	\$ 1,378,775	\$ 10,518,391

See Independent Auditors' Report

JEWISH CHILDREN'S REGIONAL SERVICE
SCHEDULE OF OPERATING AND ENDOWMENT FUND CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2019

	<u>Operating Fund</u>	<u>Endowment Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</u>			
Change in net assets	\$ 61,821	\$ 183,304	\$ 245,125
Adjustments to reconcile changes in net assets to cash from (used in) operating activities:			
Depreciation expense	310	-	310
Contributions of stock	-	19,591	19,591
Change in value of investments	-	296,844	296,844
Changes in operating assets and liabilities:			
(Increase)/decrease in:			
Student loans	3,603	-	3,603
Increase/(decrease) in:			
Accounts payable	631	-	631
Accrued expenses	(833)	-	(833)
Net cash from operating activities	<u>65,532</u>	<u>499,739</u>	<u>565,271</u>
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</u>			
Cash paid for purchase of fixed assets	(53)	-	(53)
Proceeds from sale of investments	-	44,260	44,260
Purchases of investments	<u>(10,009)</u>	<u>(749,200)</u>	<u>(759,209)</u>
Net cash (used in) investing activities	<u>(10,062)</u>	<u>(704,940)</u>	<u>(715,002)</u>
Net increase (decrease) in cash and cash equivalents	55,470	(205,201)	(149,731)
Cash and cash equivalents at beginning of year	<u>35,510</u>	<u>216,660</u>	<u>252,170</u>
Cash and cash equivalents at end of year	<u>\$ 90,980</u>	<u>\$ 11,459</u>	<u>\$ 102,439</u>