Shalom Austin

Financial Statements

Years Ended December 31, 2017 and 2016

Calhoun, Thomson+Matza, LLP
Certified Public Accountants

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Contents

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Independent Auditors' Report

The Board of Directors
Shalom Austin

We have audited the accompanying financial statements of Shalom Austin ("Association"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shalom Austin as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audits of the financial statements were conducted for the purpose of forming an opinion on those statements as a whole. The accompanying supplementary information is presented for the 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.

Restriction on Use

Our report is intended solely for the information and use of the board of directors and management and is not intended to be and should not be used by anyone other than these specified parties.

November 13, 2018

Shalom Austin

Statements of Financial Position

December 31,		**2017**		2016
Assets				
Current assets				
Cash and cash equivalents	**$**	**560,727**	$	561,238
Accounts receivable		**243,033**		269,751
Pledges receivable, net of allowance for uncollectible promises of $20,000.		**352,224**		423,812
Prepaid expenses		**175,510**		130,405
Total current assets		**1,331,494**		1,385,206
Beneficial interest in assets held by others		**1,423,951**		1,302,438
Property and equipment, net of accumulated depreciation		**687,648**		629,923
Leased property under capital lease, less accumulated amortization		**46,150**		46,797
Total assets	**$**	**3,489,243**	$	3,364,364

See accompanying notes to financial statements.

Statements of Financial Position

December 31,		**2017**		2016
Liabilities				
Current liabilities				
Accounts payable	**$**	**317,334**	$	281,517
Accrued expenses		**326,624**		433,148
Due to others		**271,037**		83,726
Line of credit		**495,000**		475,000
Deferred revenue		**313,005**		299,466
Current maturities of structured obligation and capital lease obligations		**28,692**		22,495
Deposits		**86,783**		66,209
Total current liabilities		**1,838,475**		1,661,561
Structured obligation and capital lease obligations, less current portion		**1,221,841**		1,326,858
Total liabilities		**3,060,316**		2,988,419
Net Assets				
Unrestricted:				
Undesignated		**(1,031,893)**		(956,425)
Designated		**322,459**		284,940
Total unrestricted net assets		**(709,434)**		(671,485)
Temporarily restricted		**188,361**		97,430
Permanently restricted		**950,000**		950,000
Total net assets		**428,927**		375,945
Total liabilities and net assets	**$**	**3,489,243**	$	3,364,364

See accompanying notes to financial statements.

Shalom Austin

Statement of Activities

Year ended December 31, 2017		Unrestricted		Temporarily Restricted		Permanently Restricted		Total
Revenues and other support:								
Tuition and program	$	4,558,868	$	261,805	$	-	$	4,820,673
Contributions		2,250,283		-		-		2,250,283
Membership		2,371,582		-		-		2,371,582
In-kind donations		1,875,467		-		-		1,875,467
Advertising		562,662		-		-		562,662
Rental		342,174		-		-		342,174
Fitness trainer		319,856		-		-		319,856
Fundraising		267,352		23,136		-		290,488
Change in beneficial interest		133,863		18,650		-		152,513
Other income		172,807		-		-		172,807
Sales		4,981		-		-		4,981
Investment income		992		-		-		992
Total revenues		12,860,887		303,591				13,164,478
Released from temporary restrictions:								
Satisfaction of program restrictions		212,660		(212,660)		-		-
Total revenues and other support		13,073,547		90,931		-		13,164,478
Expenses:								
Program services:								
Early Childhood Program		4,135,954		-		-		4,135,954
Sport and Fitness		3,605,541		-		-		3,605,541
Youth and Family		1,404,000		-		-		1,404,000
JFGA Annual Campaign		722,660		-		-		722,660
Jewish Outlook		694,072		-		-		694,072
Jewish Family Services		530,666		-		-		530,666
Jewish Life and Learning		368,728		-		-		368,728
JFGA Leadership		77,771		-		-		77,771
Outreach and Engagement		99,893		-		-		99,893
JFGA Israel		48,921		-		-		48,921
Jewish Community Relations Council		41,451		-		-		41,451
Total program services		11,729,657		-		-		11,729,657
Management and general		588,274		-		-		588,274
Fundraising		793,565		-		-		793,565
Total expenses		13,111,496		-		-		13,111,496
Change in net assets		(37,949)		90,931		-		52,982
Net Assets:								
Beginning of year		(671,485)		97,430		950,000		375,945
End of year	$	(709,434)	$	188,361	$	950,000	$	428,927

See accompanying notes to financial statements.

Shalom Austin

Statement of Activities

Year ended December 31, 2016	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Revenues and other support:				
Tuition and program	$ 4,571,060	$ 166,682	$ -	$ 4,737,742
Contributions	2,294,673	-	-	2,294,673
Membership	2,396,810	-	-	2,396,810
In-kind donations	1,744,788	-	-	1,744,788
Advertising	573,707	-	-	573,707
Rental	341,174	-	-	341,174
Fitness trainer	314,605	-	-	314,605
Fundraising	342,471	23,745	-	366,216
Change in beneficial interest	60,581	32,756	-	93,337
Other income	138,178	-	-	138,178
Sales	4,364	-	-	4,364
Investment income	3,130	-	-	3,130
Total revenues	12,785,541	223,183	-	13,008,724
Released from temporary restrictions:				
Satisfaction of program restrictions	174,875	(174,875)	-	-
Total revenues and other support	12,960,416	48,308	-	13,008,724
Expenses:				
Program services:				
Early Childhood Program	4,360,671	-	-	4,360,671
Sport and Fitness	3,787,793	-	-	3,787,793
Youth and Family	1,512,771	-	-	1,512,771
JFGA Annual Campaign	857,579	-	-	857,579
Jewish Outlook	546,016	-	-	546,016
Jewish Family Services	488,817	-	-	488,817
Jewish Life and Learning	421,620	-	-	421,620
JFGA Leadership	100,129	-	-	100,129
Outreach and Engagement	123,788	-	-	123,788
JFGA Israel	78,834	-	-	78,834
Jewish Community Relations Council	47,194	-	-	47,194
Total program services	12,325,212	-	-	12,325,212
Management and general	569,188	-	-	569,188
Fundraising	711,859	-	-	711,859
Total expenses	13,606,259	-	-	13,606,259
Change in net assets	(645,843)	48,308	-	(597,535)
Net Assets:				
Beginning of year	(25,642)	49,122	950,000	973,480
End of year	$ (671,485)	$ 97,430	$ 950,000	$ 375,945

See accompanying notes to financial statements.

Statements of Cash Flow

Years ended December 31,		**2017**		2016
Cash from operations:				
Change in net assets	**$**	**52,982**	$	(597,535)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:				
Depreciation		**185,754**		204,840
(Increase) decrease in assets:				
Account receivables		**26,718**		237,278
Pledge receivables		**71,588**		(122,559)
Prepaid expenses		**(45,105)**		5,692
Beneficial interest in assets held by others		**(121,513)**		90,480
Increase (decrease) in liabilities:				
Accounts payable		**35,817**		8,134
Accrued expenses		**(106,524)**		85,210
Due to others		**187,311**		(2,490)
Deposits		**20,574**		(21,280)
Deferred revenue		**13,539**		116,756
Net cash flows provided by operating activities		**321,141**		4,526
Cash flows from investing activities:				
Purchase of fixed assets		**(218,074)**		(250,123)
Net cash used in investing activities		**(218,074)**		(250,123)
Cash from financing activities:				
Proceeds from line of credit		**575,000**		595,000
Payments on structured obligation		**(100,000)**		(100,000)
Payments on capital lease obligations		**(23,578)**		(17,420)
Payments on line of credit		**(555,000)**		(320,000)
Net cash (used in) provided by financing activities		**(103,578)**		157,580
Net decrease in cash and cash equivalents		**(511)**		(88,017)
Beginning cash and cash equivalents		**561,238**		649,255
Ending cash and cash equivalents	**$**	**560,727**	$	561,238

Supplemental disclosure of cash flow information:		**2017**		2016
Interest paid	**$**	**21,674**	$	14,599

Supplemental schedule of non-cash investing and financing activities:		**2017**		2016
Capital expenditures funded by capital lease borrowings	**$**	**24,759**	$	52,937

See accompanying notes to financial statements.

1. **Organization and Nature of Operations**

Effective November 19, 2015, Jewish Community Association of Austin ("JCAA") changed its name to Shalom Austin ("Association"). JCAA was also formerly Jewish Federation of Austin ("JFA"), a nonprofit corporation that was incorporated on November 29, 1971 for the purpose of enhancing the quality of Jewish life in the greater Austin area and around the world, through charitable, educational, social service, cultural, religious and recreational endeavors. The Association's services include a daycare/school, facility for community and cultural events, a fitness center, newsletters and publications, Jewish Family Services and other programs that enhance Jewish life. The Association's revenue primarily consists of contributions, membership fees, tuition, and program fees.

The Association programs consist of the following:

Early Childhood Program

The Early Childhood Program ("ECP") is the preschool program of the Association. It has children ranging in age of 3 months to 5 years old. Programs within the ECP include in all-school events of decorating the Sukkahs, the Chanukah Party, fall and spring Schmoozin' Shabbats, Passover Seder, Purim Carnival and Israel Independence Day.

Sport and Fitness

The Sports and Fitness serves participants with existing programs that remain popular, and new programs that generate excitement, increased awareness, and bring new people to the campus. Programs within this department include Babysitting, Fitness Classes, Youth Classes, Sports Camps, Fitness Center and Aquatics.

Senior Adults

The Jewish Community Center Senior Adult Programs Office provides a variety of social, educational, cultural, and spiritual programs for older adults.

Youth and Family

The Youth and Family department has developed and implemented programs that support families, enrich children's lives, and built community such as the summer, winter, and spring Camps, Passover Break Camps, and Kids Connection after-school programs.

Jewish Family Services

Jewish Family Services ("JFS") delivers human services and programs to the Austin Jewish community. JFS social workers provide counseling services, educational programs, senior activities, services for children and adolescents, distributes funds to assist Jewish families in need and mental health services.

JFGA Israel
The Jewish Federation of Greater Austin ("JFGA") strengthens the global Jewish community through ongoing educational, humanitarian, and community building activities.

JFGA Leadership
Austin's Jewish Leadership Development Program for professionals who are up to 45 years old. Developed by the Jewish Federation of Greater Austin originally in collaboration with Leadership Austin, the program is designed to train Jewish leaders for both today and tomorrow.

JFGA Annual Campaign
The Jewish Federation of Greater Austin Annual Campaign is our Jewish community's primary philanthropic appeal. The Annual Campaign strengthens Jewish life and supports critical humanitarian needs in Austin, Israel and around the world. The JFGA is one of 200 Jewish Federations throughout North America. The Annual Campaign provides support for social service, outreach, educational, and community building programs.

Jewish Outlook
The Association publishes a monthly periodical called the Jewish Outlook. The Outlook provides Jewish stories and editorials about local, regional, national and international news. It also provides a Jewish calendar of events and other areas of interest.

Jewish Life and Learning
The Jewish Education department offers a variety of Jewish educational and cultural arts programming for adults, families, and the community at large. Programs include the Sukkah Fest, Purim Carnival, the Israel Independence Day Family Celebration, the Tapestry of Jewish Learning, Florence Melton Adult Mini School, the Arts Patron Series, the Austin Jewish Book Fair, the School of Dance, a wide-variety of cultural arts learning opportunities ranging from theater to art, the Art Gallery and Theater productions.

Outreach and Engagement
The Jewish Federation of Greater Austin encourages greater involvement in the Jewish Community, assists newcomers to settle into life in Central Texas, and offers ongoing programs and services to help all Jewish Austinites stay connected.

Jewish Community Relations Council
The Jewish Community Relations Council is the central public affairs arm of Shalom Austin, representing the Jewish community and organizations on issues that impact the rights and protection of Jews as individuals and as a community locally and abroad.

2. Summary of Significant Accounting Policies

Basis of Accounting
The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation
The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association's policy is to report restricted support that is satisfied in the year of receipt as first restricted and then reclassified to unrestricted net assets.

Cash and Cash Equivalents
For purposes of these financial statements, the Association considers all investments with an original maturity of three months or less to be cash or cash equivalents. Cash and cash equivalents excludes cash restricted by board designation for long-term purposes.

Receivables
The Association records trade receivables at the rate established for the service provided. Receivables are considered past due or delinquent based on contractual terms. The Association provides for uncollectible accounts receivable and promises to give through the allowance method of accounting. Under this method, a provision for uncollectible accounts is charged to bad debt expense, and the allowance account is increased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account and recoveries of previously charged off accounts are added to the account.

Property and Equipment
Acquisitions of property and equipment in excess of $1,000 are capitalized. Purchased furniture and equipment are stated at cost and donated items are recorded at fair value on the date of donation. Depreciation is calculated using the straight-line method over the assets estimated useful lives, generally three to ten years.

The Association reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as assets and restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service.

Contributions
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, new assets are reclassified to unrestricted net assets.

Functional Expenses
Expenses which are specifically identifiable to a function are allocated entirely to that function. Expenses which are not specifically identifiable to a function are classified by management's estimate of time and resources devoted to the function.

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

Advertising
Advertising costs are expensed as incurred.

Income Taxes
The Association received a determination letter from the Internal Revenue Service on July 24, 2000. The Association is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is subject to tax on its unrelated business income. Unrelated business income consists of income generated from advertising income.

Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740-10, "Accounting for Uncertainty in Income Taxes" clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. FASB ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

FASB ASC 740-10 requires that a company recognize in its financial statements the impact of tax positions that meet a "more likely than not" threshold, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

The Association has no tax positions that are subject to FASB ASC 740-10. The Association believes all of its tax positions to be highly certain.

As of December 31, 2017, the Association's tax years for 2014, 2015, and 2016 are subject to examination by the tax authorities.

Recently Issued Accounting Pronouncements
In July 2018, the FASB issued Accounting Standards Update ("ASU") 2018-11 ("*Lease (Topic 842)*") which provides targeted improvements to ASU 2016-02 ("*Leases (Topic 842)*") to assist with implementation questions and issues as organizations prepare to adopt the new leases standard. The amendments in this Update related to transition relief on comparative reporting at adoption affect all entities with lease contracts that choose the additional transition method, while the amendments in this Update related to separating components of a contract affect only lessors whose lease contracts qualify for the practical expedient. The amendments in this Update have the same effective date and transition requirements as in ASU 2016-02. The Company is currently evaluating its leases against the requirements of this pronouncement.

In June 2018, the FASB issued ASU 2018-08 (*"Not-for-Profit Entities (Topic 958)"*) which clarifies the scope and accounting guidance for contributions received and contributions made by a not-for-profit entity ("NFP"). 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 exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The amendments in this Update clarify that, consistent with current GAAP, in instances in which a resource provider is not itself receiving commensurate value for the resources provided, an entity must determine whether a transfer of assets represents a payment from a third-party payer on behalf of an existing exchange transaction between the recipient and an identified customer. If so, other guidance (for example, Topic 606) applies. The amendments in this Update apply to both resources received by a recipient and resources given by a resource provider, except for transfers of assets from government entities to business entities.

The amendments in this Update are effective for NFP's that have not issued, or is not a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or over-the-counter market for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is evaluating the impact of ASU 2018-08 on the combined financial statements.

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, (*"Not-for-Profit Entities (Topic 958)"*) ("ASU 2016-14"), which amended a not-for-profit entity's ("NFP") financial statements' presentation and disclosure requirements. The new standard decreases the number of net asset classes on the *statement of financial position* and *statement of activities* from three to two. The new classes will be *net assets with donor restrictions* and *net assets without donor restrictions*. ASU 2016-14 continues to allow NFP's to choose between the direct method and indirect method for presenting operating cash flows, eliminating the requirement for those who use the direct method to perform reconciliation with the indirect method. ASU 2016-14 now requires NFP's to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses. ASU 2016-14 also requires NFP's to use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from *net assets with donor restrictions* to *net assets without donor restrictions* for such long-lived assets that have been placed in service as of the beginning of the period of adoption.

The standard also requires enhanced disclosures: (a) about amounts and purposes of governing board actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period, (b) about composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources, (c) to provide in the notes qualitative information on how it manages its liquid available resources and liquidity risks, (d) to include quantitative information that communicates the availability of an NFP's financial assets at the balance sheet date to meet cash needs for general expenditures within one year to be presented on the face of the financial statement and/or in the notes, (e) to include reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature, (f) of the method(s) used to allocate costs among program and support functions, and (g) about reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhances disclosures about underwater endowments.

ASU 2016-14 will take effect for NFP's for fiscal years beginning after December 15, 2017. The Association is currently evaluating the impact of the pending adoption of ASU 2016-14 on the financial statements and has not yet adopted the update.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)", which provides guidance for accounting for leases. Under ASU 2016-02, the Association will be required to recognize the assets and liabilities for the rights and obligations created by leased assets. ASU 2016-02 will take effect for non-public companies for fiscal years beginning after December 15, 2019. The Association is currently evaluating its leases against the requirements of this pronouncement.

3. Pledges Receivable

Pledges receivable consist of unconditional promises to give to the Jewish Federation Greater Austin Annual Campaign (Annual Campaign). Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are recorded at their net realized value.

An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises at year end.

Pledges are due by December 31st for each campaign year.

December 31,		**2017**		2016
Pledges due within:				
One year or less	**$**	**372,224**	$	443,812
One to five years		**-**		-
More than five years		**-**		-
Total pledges receivable		**372,224**		443,812
Allowance for uncollectible promises		**(20,000)**		(20,000)
Net pledges receivable	**$**	**352,224**	$	423,812

4. **Property and Equipment**

December 31,		**2017**		2016
Buildings improvements	**$**	**350,827**	$	350,827
Furniture and equipment		**1,670,317**		1,500,070
Computer equipment		**635,988**		573,453
Software		**181,190**		171,139
Vehicles		**174,538**		174,538
Total property and equipment		**3,012,860**		2,770,027
Accumulated depreciation		**(2,279,062)**		(2,093,307)
Net property and equipment	**$**	**733,798**	$	676,720

Depreciation expense for the years ended December 31, 2017 and 2016 was $185,754 and $204,840, respectively.

5. **Beneficial Interest in Assets Held by Others**

The Association transferred permanently restricted contributions to The Austin Community Foundation for the Capital Area (“ACF”). ACF established a designated fund named “Garber Family Endowment Fund for Children’s Performing and Fine Arts Programs” (“Designated Fund”). ACF will distribute annually to the Association in cash an amount equal to 5% of the fair market value of the Designated Fund valued as of December 31 of the previous year; provided, however, that in the event that in any given year a distribution of the 5% of the fair market value of the Designated Fund would result in a reduction in the historic give value, then the distribution will be limited to an amount equal to the interest, dividends and realized gains less realized losses of the Designated Fund. Annually, up to $10,000 of the distribution to the Association will be distributed by the Association to Austin Jewish Academy ("AJA"). During 2017, $50,000 was distributed from the Designated Fund. Variance power was not granted to ACF.

The Association transferred unrestricted contributions to ACF and established the Association Facilities Fund and the Association Legacy Fund. The funds are designed to preserve the gift in perpetuity, and the amount available for distribution is established by the ACF Board of Governors. Variance power was granted to ACF.

December 31,		**2017**		2016
Garber Family Endowment Fund	**$**	**1,098,231**	$	1,017,498
The Association Facilities Fund		**224,667**		198,007
Other Association Program Funds		**101,053**		86,933
	$	**1,423,951**	$	1,302,438

6. Line of Credit

The Association had a revolving line of credit with Bank of America in the amount of $500,000, which accrued interest at the bank's prime rate, 3.25% at December 31, 2016. The line of credit expired and was not renewed on December 15, 2017. The line of credit was unsecured. At December 31, 2016, the balance on the line of credit was $475,000.

During June of 2017, the Association moved the revolving line of credit from Bank of America to JPMorgan Chase Bank. The agreement with JP Morgan Chase Bank has no debt covenants and increases the line of credit from $500,000 to $750,000. The move to Chase Bank will help the Association improve its liquidity needs, remove debt covenants and consolidate banking operations. At December 31, 2017, the balance on the line of credit was $495,000

For the years ended December 31, 2017 and 2016, interest expense was $21,674 and $14,599, respectively.

Covenants

1. Provide audited financial statements within 180 days of year end.

The Association was in default of the requirement to provide audited financial statements within 180 days of year-end. JP Morgan Chase Bank agreed not to pursue legal or other detrimental action against the Association regarding noncompliance and extended the due date. Management believes that there will be no legal action taken in the current year and the violation will be cured upon submission of the audited financial statements.

7. Temporarily Restricted Net Assets

For the years ended December 31, 2017 and 2016, temporarily restricted net assets consisted of children's art education and programs in the amount of $212,660 and $97,430, respectively.

8. Concentration Risk

The Association derives 41% of its revenue from offering services such as camps, program and education classes. It also earns 18% of its revenue from offering membership services. The Association does have cash in bank accounts in excess of the FDIC limits. The Association has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk. During 2017, the Association had one donor contribute $200,000, representing approximately 9% of the $2.3 million of contributions to the annual campaign.

9. Endowments

The Association's endowment consists of two funds established for 1) Children's Performing and Fine Arts Programs and for 2) capital improvements, equipment, and maintenance on the campus. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. New assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Association has interpreted the State Prudent Management of Institutional Funds Act as requiring the preservation of the historic value of the original gift as of the gift date to the donor-restricted endowment fund due to explicit donor stipulations. As a result of this interpretation, The Association classifies as permanently restricted net assets (a) the historical value of the gift donated to the permanent endowment, and (b) the historical value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are used for the intended purpose.

Endowment Net Asset Composition by Type of Fund as of December 31, 2017:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 148,231	$ 950,000	$ 1,098,231
Board-designated endowment funds	325,720	-	-	325,720
	$ 325,720	$ 148,231	$ 950,000	$ 1,423,951

Endowment Net Asset Composition by Type of Fund as of December 31, 2016:

		Unrestricted Designated		Temporarily Restricted		Permanently Restricted		Total
Donor-restricted endowment funds	$	-	$	67,498	$	950,000	$	1,017,498
Board-designated endowment funds		284,940		-		-		284,940
	$	284,940	$	67,498	$	950,000	$	1,302,438

Changes in Endowment Net Assets for the year ended December 31, 2017:

		Unrestricted Designated		Temporarily Restricted		Permanently Restricted		Total
Endowment net assets, beginning of year	**$**	**284,940**	**$**	**67,498**	**$**	**950,000**	**$**	**1,302,438**
Change in beneficial interest		**41,780**		**130,733**		**-**		**172,513**
Designated by Board		**-**		**-**		**-**		**-**
Appropriation of endowment assets for expenditure		**(1,000)**		**(50,000)**		**-**		**(51,000)**
Endowment net assets, end of year	**$**	**325,720**	**$**	**148,231**	**$**	**950,000**	**$**	**1,423,951**

Changes in Endowment Net Assets for the year ended December 31, 2016:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 429,501	$ 13,769	$ 950,000	$ 1,393,270
Change in beneficial interest	(146,661)	67,498	-	(79,163)
Designated by Board	-	-	-	-
Appropriation of endowment assets for expenditure	2,100	(13,769)	-	(11,669)
Endowment net assets, end of year	$ 284,940	$ 67,498	$ 950,000	$ 1,302,438

Return Objective and Risk Parameters and Strategies Employed for Achieving Objectives
The Association has elected to have the permanent endowment funds and a portion of the board-designated endowment fund managed and held by Austin Community Foundation ("ACF"). Funds will be invested in accordance with ACF's investment policies and objectives. The permanent endowment funds will also be invested in accordance with the Advisory Board. The advisory Board consists of the President, Treasurer, and Chief Financial Officer of the Association and the Garber Foundation. The Association also holds board-designed endowment funds of $0 in cash as of December 31, 2017 and 2016.

Spending Policy and How the Investments Objective Relate to Spending Policy
ACF will distribute to the Association in cash an amount equal to 5% of the fair market value of the donor-restricted endowment, per donor stipulations, as of December 31 of the previous year; provided, however, that in the event that in any given year a distribution of 5% of the fair market value of the fund would result in a reduction in its "historic gift value" then the distribution will be limited to an amount equal to the interest, dividends and realized gains less realized losses. If the amount to distribute is not made in any year, the balance will continue to be available for future periods.

ACF will distribute to the Association in cash an amount equal to 5% of the fair market value of the board-designated endowment as of December 31 of the previous year. If the amount to distribute is not made in any year the balance will continue to be available for future periods.

10. Contributions

The Association contributed part of the collections from the annual Jewish Federation Annual Campaign to various external Jewish organizations. For the years ended December 31, 2017 and 2016, the total amount contributed was $410,482 and $496,012, respectively, and are included in allocation expenses (See Note 13).

11. In-Kind Income and Expenses and Related Party Transactions

The Association uses facilities owned by the DJCC Development Corporation ("DJCC"), a nonprofit organization created in June 1998 to construct a community facility for the Jewish population in and around the Austin area. The Association occupies and manages the facilities in their entirety. The Association makes no monetary payments to DJCC for the use of the facilities and does not receive payments for managing the property. In-kind income and expense for use of the facility was based upon the square footage of the fitness facility and educational building at a market rate of $18 per square foot. In-kind income and expense for the use of the development department space was based upon the square footage at $16 per square foot. In-kind income and expense for the use of the accounting trailer was based upon $575 per month. For the years ended December 31, 2017 and 2016, the in-kind income/rental expense reported was $1,744,788 and $1,744,788, respectively.

For the years ended December 31, 2017 and 2016, the Association is a guarantor on DJCC's debt of $1,705,371 and $1,727,022, respectively, with JPMorgan Chase Bank.

Board members and related parties made contributions during 2017 and 2016 of approximately $107,000 and $88,000, respectively.

12. Retirement Plan

The Association maintains a contributory, defined contribution pension plan covering selected employees. The plan is administered by trustees. The Association's policy is to contribute matching contributions on a discretionary basis. During 2017 and 2016, no matching contributions were made. Participants immediately vest in employee contributions and vest in discretionary employer match as follows:

Years of Service	Percentage
1	20%
2	40%
3	60%
4	80%
5	100%

13. Expenses by Natural Classification

Years ended December 31,		**2017**		2016
Payroll and related	**$**	**6,515,013**	$	6,481,279
Rent		**1,764,095**		1,985,323
Professional fees		**1,186,000**		1,128,916
Contract services		**976,911**		1,130,717
Allocation expense		**410,482**		496,012
Utilities		**336,882**		332,566
Food and catering		**303,942**		318,098
Program supplies		**242,148**		248,598
Credit card charges		**121,531**		122,078
Depreciation		**185,754**		204,840
Maintenance and repair		**210,996**		228,996
Donations		**30,252**		31,058
Printing		**140,012**		145,643
Dues, memberships, subscriptions		**91,574**		122,258
Equipment / Rentals		**114,817**		111,107
Insurance		**132,629**		139,932
Travel		**49,274**		69,389
Travel – staff		**82,818**		78,563
Telephone and pager		**33,835**		39,435
Postage		**47,435**		48,010
Furniture and equipment		**22,243**		29,589
Bad debt expense		**30,812**		24,377
Other		**82,041**		89,475
	$	**13,111,496**	$	13,606,259

14. Structured Obligation and Capital Lease Obligations

The Association leases fitness equipment for the fitness center. These leases qualify as capital leases because the lease term exceeds 75% of the useful life of the equipment, the ownership of the equipment will transfer to the Association prior to the end of the lease, and there is a bargain purchase option for the Association to purchase the equipment at the end of the lease term. Amortization expense on capital leases for 2017 and 2016 was $18,693 and $17,837, respectively.

Structured obligation and capital lease obligations consist of the following:

December 31,	**2017**	2016
Capital lease expired May 1, 2017, monthly payments of $392, beginning June 1, 2014, bearing interest of 3.96% per annum, secured by equipment.	**$ -**	$ 1,942
Capital lease due April 1, 2018, monthly payments of $276, beginning May 1, 2015, bearing interest of 4.02% per annum, secured by equipment.	**1,104**	4,292
Capital lease due June 1, 2019, monthly payments of $1,560, beginning June 1, 2016, bearing interest of 3.88% per annum, secured by equipment.	**26,520**	43,119
Capital lease due July 1, 2020, monthly payments of $739, beginning August 1, 2017, bearing interest of 4.72% per annum, secured by equipment.	**22,909**	-
Structured obligation due January 2, 2030, fifteen annual payments of $100,000, beginning January 2, 2016, unsecured.	**1,200,000**	1,300,000
	1,250,533	1,349,353
Less: current portion	**(28,692)**	(22,495)
	$ 1,221,841	$ 1,326,858

The aggregate maturities of the Association's structured obligation and capital lease obligations for each of the five years subsequent to December 31, 2017 are approximately as follows:

Years Ended December 31,		Amount
2018	$	28,692
2019		116,668
2020		105,173
2021		100,000
2022 and thereafter		900,000
	$	1,250,533

15. Commitments and Contingencies

Leases: The Association leases office space and equipment under non-cancelable operating leases with various expiration dates extending to 2021. As of December 31, 2017, minimum annual rental commitments under non-cancelable leases are as follows:

Years Ended December 31,		Operating Leases
2018	$	112,568
2019		115,075
2020		118,038
2021		80,123
2022 and thereafter		-
	$	425,804

Rental expense incurred for operating leases of office space and equipment was approximately $137,000 and $140,000 for the years ended December 31, 2017 and 2016, respectively.

Legal Proceedings. In the normal course of business, the Association is subject to various litigation; however, in management's opinion, there are no legal proceedings pending against the Association that would have a material adverse effect on the financial position or results of operations of the Association.

16. Subsequent Events

The Association has evaluated subsequent events as of December 31, 2017, the date of the most recent statements of financial position, through November 13, 2018, the date the financial statements were issued. The Association does not believe any subsequent events have occurred that would require further disclosure or adjustment to the financial statements.

Supplemental Information

Shalom Austin

Supplemental Schedule of Functional Expenses
December 31, 2017

	Early Childhood Program	Sports & Fitness	JCC Senior	JCC Youth	Jewish Life & Learning	Jewish Family Services	JFGA Israel	JFGA Leadership	JFGA An. Campaign	Jewish Outlook	Outreach & Engagement	Community Relations Council	Total Programs
Wages	$ 2,191,352	$ 1,249,051	$ 137,641	$ 508,675	$ 113,562	$287,881	$23,359	$ 42,067	$ 105,989	$273,471	$ 15,961	$ 22,325	$ 4,971,334
Benefits	519,706	229,982	24,807	89,453	21,063	54,218	6,417	14,959	19,754	39,570	5,794	6,485	1,032,208
Subtotal	2,711,058	1,479,033	162,448	598,128	134,625	342,099	29,776	57,026	125,743	313,041	21,755	28,810	6,003,542
Program Supplies	249,701	230,295	45,290	121,093	72,419	48,484	8,800	4,800	444,110	159,079	52,447	1,913	1,438,431
Professional and Contractural	369,732	969,420	25,575	202,154	99,940	35,727	2,259	3,088	33,354	107,223	8,079	2,342	1,858,893
Infrastructure (non facility)	135,437	192,686	6,594	36,095	10,044	19,047	1,385	2,203	20,463	19,654	3,160	1,437	448,205
Facility and Maintenance	670,026	734,107	34,433	172,190	51,700	85,309	6,701	10,654	98,990	95,075	14,452	6,949	1,980,586
Subtotal	1,424,896	2,126,508	111,892	531,532	234,103	188,567	19,145	20,745	596,917	381,031	78,138	12,641	5,726,115
Total	$ 4,135,954	$ 3,605,541	$ 274,340	$1,129,660	$ 368,728	$530,666	$48,921	$ 77,771	$ 722,660	$694,072	$ 99,893	$ 41,451	$11,729,657

	Total Fundraising	Total Administration	Total Expense
Wages	$ 284,358	$ 173,953	$ 5,429,645
Benefits	27,621	31,522	1,091,351
Subtotal	311,979	205,475	6,520,996
Program Supplies	218,631	30,566	1,687,628
Professional and Contractural	189,612	76,908	2,125,412
Infrastructure (non facility)	12,742	45,890	506,837
Facility and Maintenance	60,601	229,435	2,270,623
Subtotal	481,586	382,799	6,590,500
Total	$ 793,565	$ 588,274	$13,111,496