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Shalom Austin

Financial Statements

Years Ended December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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.

December 6, 2017

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Shalom Austin

Statements of Financial Position

December 31,		**2016**		2015
Assets				
Current assets				
Cash and cash equivalents	**$**	**561,238**	$	649,255
Accounts receivable		**269,751**		507,029
Pledges receivable, net of allowance for uncollectible promises of $20,000 and $25,000, respectively		**423,812**		301,253
Prepaid expenses		**130,405**		136,097
Total current assets		**1,385,206**		1,593,634
Beneficial interest in assets held by others		**1,302,438**		1,392,918
Property and equipment, net of accumulated depreciation		**629,923**		564,957
Leased property under capital lease, less accumulated amortization		**46,797**		13,543
Total assets	**$**	**3,364,364**	$	3,565,052

See accompanying notes to financial statements.

Shalom Austin

Statements of Financial Position

December 31,		2016		2015
Liabilities				
Current liabilities				
Accounts payable	**$**	**281,517**	$	273,383
Accrued expenses		**433,148**		347,938
Due to others		**83,726**		86,216
Line of credit		**475,000**		200,000
Deferred revenue		**299,466**		182,710
Current maturities of structured obligation and capital lease obligations		**22,495**		7,602
Deposits		**66,209**		87,489
Total current liabilities		**1,661,561**		1,185,338
Structured obligation and capital lease obligations, less current portion		**1,326,858**		1,406,234
Total liabilities		**2,988,419**		2,591,572
Net Assets				
Unrestricted:				
Undesignated		**(956,425)**		(455,143)
Designated		**284,940**		429,501
Total unrestricted net assets		**(671,485)**		(25,642)
Temporarily restricted		**97,430**		49,122
Permanently restricted		**950,000**		950,000
Total net assets		**375,945**		973,480
Total liabilities and net assets	**$**	**3,364,364**	$	3,565,052

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
Structured obligation expense	-	-	-	-
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.

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Shalom Austin

Statement of Activities

Year ended December 31, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Tuition and program	$ 5,061,671	$ -	$ -	$ 5,061,671
Contributions	2,334,596	46,778	-	2,381,374
Membership	2,373,050	-	-	2,373,050
In-kind donations	1,744,788	-	-	1,744,788
Advertising	582,458	-	-	582,458
Rental	346,943	-	-	346,943
Fitness trainer	325,601	-	-	325,601
Fundraising	274,842	20,935	-	295,777
Change in beneficial interest	(157,257)	41,745	-	(115,512)
Other income	186,469	-	-	186,469
Sales	2,924	-	-	2,924
Investment income	324	-	-	324
Total revenues	13,076,409	109,458	-	13,185,867
Released from temporary restrictions:				
Satisfaction of program restrictions	239,028	(239,028)	-	-
Total revenues and other support	13,315,437	(129,570)	-	13,185,867
Expenses:				
Program services				
Early Childhood Program	4,401,780	-	-	4,401,780
Sport and Fitness	3,600,893	-	-	3,600,893
Youth and Family	1,557,765	-	-	1,557,765
JFGA Annual Campaign	802,260	-	-	802,260
Jewish Outlook	530,790	-	-	530,790
Jewish Family Services	400,324	-	-	400,324
Jewish Life and Learning	417,115	-	-	417,115
JFGA Leadership	182,487	-	-	182,487
Outreach and Engagement	122,969	-	-	122,969
JFGA Israel	58,133	-	-	58,133
Jewish Community Relations Council	68,201	-	-	68,201
Total program services	12,142,717	-	-	12,142,717
Management and general	511,001	-	-	511,001
Structured obligation expense	1,500,000	-	-	1,500,000
Fundraising	730,438	-	-	730,438
Total expenses	14,884,156	-	-	14,884,156
Change in net assets	(1,568,719)	(129,570)	-	(1,698,289)
Net Assets:				
Beginning of year	1,543,077	178,692	950,000	2,671,769
End of year	$ (25,642)	$ 49,122	$ 950,000	$ 973,480

See accompanying notes to financial statements.

Shalom Austin

Statements of Cash Flow

Years ended December 31,		**2016**		2015
Cash from operations:				
Change in net assets	$	**(597,535)**	$	(1,698,289)
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:				
Depreciation		**204,840**		207,230
(Increase) decrease in assets:				
Account receivables		**237,278**		41,136
Pledge receivables		**(122,559)**		17,399
Prepaid expenses		**5,692**		13,254
Beneficial interest in assets held by others		**90,480**		64,852
Increase (decrease) in liabilities:				
Accounts payable		**8,134**		65,314
Accrued expenses		**85,210**		(168,779)
Due to others		**(2,490)**		56,352
Deposits		**(21,280)**		25,477
Deferred revenue		**116,756**		(103,460)
Net cash flows provided by (used in) operating activities		**4,526**		(1,479,514)
Cash flows from investing activities:				
Purchase of fixed assets		**(250,123)**		(178,510)
Net cash used in investing activities		**(250,123)**		(178,510)
Cash from financing activities:				
Proceeds from line of credit		**595,000**		200,000
Payments on structured obligation		**(100,000)**		(100,000)
Payments on capital lease obligations		**(17,420)**		(17,422)
Structured obligation		-		1,500,000
Payments on line of credit		**(320,000)**		(75,000)
Net cash provided by financing activities		**157,580**		1,507,578
Net decrease in cash and cash equivalents		**(88,017)**		(150,446)
Beginning cash and cash equivalents		**649,255**		799,701
Ending cash and cash equivalents	$	**561,238**	$	649,255
Supplemental disclosure of cash flow information:				
Interest paid	$	**14,599**	$	7,751
Supplemental Schedule of Non-Cash Investing and Financing Activities:				
Capital expenditures funded by capital lease borrowings	$	**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, 2016, the Association's tax years for 2013, 2014, and 2015 are subject to examination by the tax authorities.

Recently Issued Accounting Pronouncements
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,		**2016**		2015
Pledges due within:				
One year or less	**$**	**443,813**	$	326,253
One to five years		**-**		-
More than five years		**-**		-
Total pledges receivable		**443,813**		326,253
Allowance for uncollectible promises		**(20,000)**		(25,000)
Net pledges receivable	**$**	**423,812**	$	301,253

4. Property and Equipment

December 31,		**2016**		2015
Buildings improvements	**$**	**350,827**	$	345,421
Furniture and equipment		**1,500,070**		1,270,143
Computer equipment		**573,453**		505,727
Software		**171,139**		171,139
Vehicles		**174,538**		174,538
Total property and equipment		**2,770,027**		2,466,968
Accumulated depreciation		**(2,093,307)**		(1,888,468)
Net property and equipment	**$**	**676,720**	$	578,500

Depreciation expense for the years ended December 31, 2016 and 2015 was $204,840 and $207,230, 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, at least $10,000 of the distribution to the Association will be distributed by the Association to Austin Jewish Academy (“AJA”). During 2016, $188,769 was distributed from the Designated Fund. Variance power was not granted to ACF.

The Association transferred unrestricted contributions to ACF for the establishment of 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,		**2016**		2015
Garber Family Endowment Fund	**$**	1,017,498	$	963,769
The Association Facilities Fund		198,007		349,879
The Association Legacy Fund		86,933		79,270
	$	1,302,438	$	1,392,918

6. Line of Credit

The Association has a revolving line of credit with Bank of America in the amount of $500,000, which accrues interest at the bank's prime rate, 3.25% at December 31, 2016. The line of credit was renewed on December 15, 2016 and extended to April 30, 2017. The line of credit is unsecured. At December 31, 2016 and 2015, the balance on the line of credit was $475,000 and $200,000, respectively.

For the years ended December 31, 2016 and 2015, interest expense was $14,599 and $7,751 respectively.

Debt Covenants

1. Maintain unencumbered liquid assets having an aggregate market value of not less than $100,000.

2. Maintain a debt service coverage ratio of at least 1:1.

3. Provide audited financial statements within 150 days of year end.

The Association was in default of the requirement to provide audited financial statements within 120 days of year-end. The Association is also in default of the requirement of maintaining a debt service coverage ratio of at least 1:1. In prior years, Bank of America 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.

During June of 2017, the Association moved the revolving line of credit from Bank of America to Chase Bank. The agreement with 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.

7. Temporarily Restricted Net Assets

For the years ended December 31, 2016 and 2015, temporarily restricted net assets consisted of children's art education and programs in the amount of $97,430 and $49,122, respectively.

8. Concentration Risk

The Association derives 38% 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 2016, the Association had one donor contribute $400,000, representing approximately 17% 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, 2016:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	**$ -**	**$ 97,430**	**$ 950,000**	**$ 1,047,430**
Board-designated endowment funds	**284,940**	**-**	**-**	**284,940**
	$ 284,940	**$ 97,430**	**$ 950,000**	**$ 1,332,370**

Endowment Net Asset Composition by Type of Fund as of December 31, 2015:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 49,122	$ 950,000	$ 999,122
Board-designated endowment funds	429,501	-	-	429,501
	$ 429,501	$ 49,122	$ 950,000	$ 1,428,623

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**	$	**49,122**	$	**950,000**	$	**1,428,623**
Change in beneficial interest		**(146,661)**		**237,077**		**-**		**90,416**
Designated by Board		**-**		**-**		**-**		**-**
Appropriation of endowment assets for expenditure		**2,100**		**(188,769)**		**-**		**(186,669)**
Endowment net assets, end of year	**$**	**284,940**	**$**	**97,430**	**$**	**950,000**	**$**	**1,332,370**

Changes in Endowment Net Assets for the year ended December 31, 2015:

		Unrestricted Designated		Temporarily Restricted		Permanently Restricted		Total
Endowment net assets, beginning of year	$	279,607	$	178,692	$	950,000	$	1,408,299
Change in beneficial interest		39,958		(79,570)		-		(39,612)
Designated by Board		-		-		-		-
Appropriation of endowment assets for expenditure		109,936		(50,000)		-		59,936
Endowment net assets, end of year	$	429,501	$	49,122	$	950,000	$	1,428,623

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, 2016 and 2015.

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, 2016 and 2015, the total amount contributed was $496,012 and $478,362, 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, 2016 and 2015, the in-kind income/rental expense reported was $1,744,788.

For the years ended December 31, 2016 and 2015, the Association is a guarantor on DJCC's debt of $1,727,022 and $1,852,022, respectively, with Bank of America.

Board members and related parties made contributions during 2016 and 2015 of approximately $88,000 and $76,000, 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 2016 and 2015, 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

		2016		2015
Payroll and related	$	**6,481,279**	$	6,602,159
Rent		**1,985,323**		1,967,717
Professional fees		**1,128,916**		1,055,439
Contract services		**1,130,717**		868,707
Allocation expense		**496,012**		478,362
Utilities		**332,566**		357,048
Food and catering		**318,098**		308,725
Program supplies		**248,598**		298,512
Credit card charges		**122,078**		107,640
Depreciation		**204,840**		207,230
Maintenance and repair		**228,996**		199,672
Donations		**31,058**		35,266
Printing		**145,643**		146,264
Dues, memberships, subscriptions		**122,258**		135,428
Equipment / Rentals		**111,107**		118,585
Insurance		**139,932**		117,532
Travel		**69,389**		86,593
Travel – staff		**78,563**		82,514
Telephone and pager		**39,435**		39,793
Postage		**48,010**		45,227
Furniture and equipment		**29,589**		19,128
Bad debt expense		**24,377**		25,922
Structured obligation expense		**-**		1,500,000
Other		**89,475**		80,693
	$	**13,606,259**	$	14,884,156

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 2016 and 2015 was $17,837 and $25,240, respectively.

Structured obligation and capital lease obligations consist of the following:

December 31,	**2016**	2015
Capital lease due May 1, 2017, monthly payments of $392, beginning June 1, 2014, bearing interest of 3.96% per annum, secured by equipment.	**$ 1,942**	$ 6,471
Capital lease due April 1, 2018, monthly payments of $276, beginning May 1, 2015, bearing interest of 4.02% per annum, secured by equipment.	**4,292**	7,365
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.	**43,119**	-
Structured obligation due January 2, 2030, fifteen annual payments of $100,000, beginning January 2, 2016, unsecured.	**1,300,000**	1,400,000
	1,349,353	1,413,836
Less: current portion	**(22,495)**	(7,602)
	$ 1,326,858	$ 1,406,234

The aggregate maturities of the Association's structured obligation and capital lease obligations for each of the five years subsequent to December 31, 2016 are approximately as follows:

Years Ended December 31,		Amount
2017	$	22,495
2018		119,134
2019		101,095
2020		106,629
2021 and thereafter		1,000,000
	$	1,349,353

15. Commitments and Contingencies

Leases: The Association leases office space and equipment under non-cancelable operating leases with various expiration dates extending to 2019. As of December 31, 2016, minimum annual rental commitments under non-cancelable leases are as follows:

Years Ended December 31,		Operating Leases
2017	$	106,570
2018		77,509
2019		16,320
2020		-
2021 and thereafter		-
	$	200,399

Rental expense incurred for operating leases of office space and equipment was approximately $140,000 and $269,000 for the years ended December 31, 2016 and 2015, 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, 2016, the date of the most recent statements of financial position, through December 6, 2017, 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.

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Supplemental Information

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Shalom Austin

Supplemental Schedule of Functional Expenses
December 31, 2016

	Early Childhood Program	Sports & Fitness	JCC Senior	JCC Youth	Jewish Life & Learning	Jewish Family Services	JFGA Israel	JFGA Leadership	JFGA Annual Campaign	Jewish Outlook	Outreach & Engagement	Community Relations Council	Total Programs
Wages	$ 2,233,683	$ 1,149,956	$ 134,761	$ 562,053	$ 179,119	$ 282,666	$ 30,156	$ 51,352	$ 159,980	$ 202,969	$ 27,705	$ 30,244	$ 5,044,644
Benefits	502,946	223,095	23,768	114,143	30,142	52,344	10,296	24,671	31,223	25,755	10,421	7,425	1,056,229
Subtotal	2,736,629	1,373,051	158,529	676,196	209,261	335,010	40,452	76,023	191,203	228,724	38,126	37,669	6,100,873
Program Supplies	272,424	289,608	49,683	143,996	75,537	46,875	15,274	7,209	523,795	160,495	57,745	1,646	1,644,287
Professional and Contractual	351,314	1,201,204	26,325	187,280	69,006	25,704	12,896	3,928	31,501	94,330	7,793	2,068	2,013,349
Infrastructure (non facility)	136,688	192,893	6,231	42,671	12,030	18,411	1,802	2,289	19,608	10,530	3,623	987	447,763
Facility and Maintenance	863,615	731,037	33,461	188,401	55,785	62,817	8,409	10,680	91,472	51,938	16,501	4,824	2,118,940
Subtotal	1,624,041	2,414,742	115,700	562,348	212,358	153,807	38,381	24,106	666,376	317,293	85,662	9,525	6,224,339
Total	$ 4,360,670	$ 3,787,793	$ 274,229	$ 1,238,544	$ 421,619	$ 488,817	$ 78,833	$ 100,129	$ 857,579	$ 546,017	$ 123,788	$ 47,194	$ 12,325,212

	Total Fundraising	Total Administration	Total Expense
Wages	$ 226,476	$ 156,582	$ 5,427,702
Benefits	44,304	31,760	1,132,293
Subtotal	270,780	188,342	6,559,995
Program Supplies	208,113	30,301	1,882,701
Professional and Contractual	143,646	78,277	2,235,272
Infrastructure (non facility)	14,984	45,890	508,637
Facility and Maintenance	74,336	226,378	2,419,654
Subtotal	441,079	380,846	7,046,264
	$ 711,859	$ 569,188	$ 13,606,259