

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA
AND SUBSIDIARIES

Audited Consolidated Financial Statements and
Supplementary Information

For the years ended December 31, 2025 and 2024

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Jewish Philanthropies of Southern Arizona
and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Jewish Philanthropies of Southern Arizona and Subsidiaries (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jewish Philanthropies of Southern Arizona and Subsidiaries as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Jewish Philanthropies of Southern Arizona and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewish Philanthropies of Southern Arizona and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT, Continued

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements, continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jewish Philanthropies of Southern Arizona and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewish Philanthropies of Southern Arizona Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

LUDWIG KLEINER & TRONER P.C.

June 16, 2026

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2025 and 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Current assets:		
Cash and cash equivalents	\$ 24,725,427	\$ 26,592,418
Accounts receivable	346,392	60,195
Accrued interest receivable	159,675	156,659
Unconditional promises to give, current portion	1,591,381	1,179,355
Notes receivable	-	75,000
Prepaid expenses and other current assets	96,480	122,255
Total current assets	<u>26,919,355</u>	<u>28,185,882</u>
Unconditional promises to give, non-current portion	194,450	288,738
Cash surrender value of life insurance	4,870,353	4,874,759
Investments in marketable securities	144,091,522	127,970,444
Interests in partnerships and closely-held corporations	7,819,238	7,986,513
Real estate held for sale	1,200,000	900,000
Beneficial interest in trust, net	3,561,596	3,938,982
Property and equipment, net	5,276,353	5,378,068
Total assets	<u>\$ 193,932,867</u>	<u>\$ 179,523,386</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 603,291	\$ 411,435
Grants payable	683,007	499,052
Designated obligations	493,002	495,572
Funds held for others	36,729,908	31,965,545
Total current liabilities	<u>38,509,208</u>	<u>33,371,604</u>
Total liabilities	38,509,208	33,371,604
Net assets:		
Without donor restrictions:		
Undesignated	6,377,929	5,928,959
Designated:		
Designated for donor advised purposes:		
Endowments - including accumulated earnings of \$17,632,854 and \$13,241,597	66,902,557	59,875,857
Donor-advised funds	48,835,969	48,586,499
Other designations	4,482,763	4,946,540
Expended for property and equipment	5,276,353	5,378,068
Total net assets without donor restrictions	<u>131,875,571</u>	<u>124,715,923</u>
With donor restrictions:		
Purpose restrictions	2,741,693	2,202,625
Time-restricted for future periods	9,892,122	8,663,081
Perpetual in nature	4,024,633	7,152,554
Subject to appropriation and expenditure	6,889,640	3,417,599
Total net assets with donor restrictions	<u>23,548,088</u>	<u>21,435,859</u>
Total net assets	<u>155,423,659</u>	<u>146,151,782</u>
Total liabilities and net assets	<u>\$ 193,932,867</u>	<u>\$ 179,523,386</u>

See independent auditor's report and accompanying notes.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 15,338,804	\$ 5,437,123	\$ 20,775,927
Administrative fees	366,598	-	366,598
Program revenue	62,722	-	62,722
Special events	61,554	-	61,554
Rental income	43,858	-	43,858
	<u>15,873,536</u>	<u>5,437,123</u>	<u>21,310,659</u>
Net asset released from restrictions	4,901,243	(4,901,243)	-
Total revenue and support	<u>20,774,779</u>	<u>535,880</u>	<u>21,310,659</u>
Investment and other income:			
Investment income, net	11,107,888	1,573,779	12,681,667
Change in value of split interest agreements	-	2,570	2,570
Other income	108,788	-	108,788
Total investment and other income	<u>11,216,676</u>	<u>1,576,349</u>	<u>12,793,025</u>
Total revenue, investment and other income	<u>31,991,455</u>	<u>2,112,229</u>	<u>34,103,684</u>
Allocations, grants, and other expenses:			
Allocations:			
Local agencies and programs	1,090,209	-	1,090,209
Grants and distributions	18,283,970	-	18,283,970
JFNA/JCD/Other overseas	286,290	-	286,290
National agencies and special relief	142,196	-	142,196
Total allocations and grants	<u>19,802,665</u>	<u>-</u>	<u>19,802,665</u>
Other expenses:			
Program services	2,927,624	-	2,927,624
Management and general	1,119,159	-	1,119,159
Fund-raising/campaign expenses	911,356	-	911,356
Direct donor benefit costs	71,003	-	71,003
Total other expenses	<u>5,029,142</u>	<u>-</u>	<u>5,029,142</u>
Total allocations, grants and other expenses	<u>24,831,807</u>	<u>-</u>	<u>24,831,807</u>
Change in net assets	7,159,648	2,112,229	9,271,877
Net assets, beginning of year	<u>124,715,923</u>	<u>21,435,859</u>	<u>146,151,782</u>
Net assets, end of year	<u>\$ 131,875,571</u>	<u>\$ 23,548,088</u>	<u>\$ 155,423,659</u>

See independent auditor's report and accompanying notes.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 18,267,803	\$ 4,656,813	\$ 22,924,616
Administrative fees	298,626	-	298,626
Program revenue	78,829	-	78,829
Rental income	37,945	-	37,945
Special events	25,131	-	25,131
	<u>18,708,334</u>	<u>4,656,813</u>	<u>23,365,147</u>
Net asset released from restrictions	4,843,323	(4,843,323)	-
Total revenue and support	23,551,657	(186,510)	23,365,147
Investment and other income:			
Investment income, net	10,053,086	1,095,312	11,148,398
Change in value of split interest agreements	-	34,093	34,093
Other income	344,166	-	344,166
Total investment and other income	<u>10,397,252</u>	<u>1,129,405</u>	<u>11,526,657</u>
Total revenue, investment and other income	33,948,909	942,895	34,891,804
Allocations, grants, and other expenses:			
Allocations:			
Local agencies and programs	1,313,961	-	1,313,961
Grants and distributions	13,068,263	-	13,068,263
JFNA/JCD/Other overseas	756,243	-	756,243
National agencies and special relief	142,994	-	142,994
Total allocations and grants	<u>15,281,461</u>	<u>-</u>	<u>15,281,461</u>
Other expenses:			
Program services	2,612,802	-	2,612,802
Management and general	1,030,322	-	1,030,322
Fund-raising/campaign expenses	701,298	-	701,298
Direct donor benefit costs	78,277	-	78,277
Total other expenses	<u>4,422,699</u>	<u>-</u>	<u>4,422,699</u>
Total allocations, grants and other expenses	<u>19,704,160</u>	<u>-</u>	<u>19,704,160</u>
Change in net assets	14,244,749	942,895	15,187,644
Net assets, beginning of year, reclassified	<u>110,471,174</u>	<u>20,492,964</u>	<u>130,964,138</u>
Net assets, end of year	<u>\$ 124,715,923</u>	<u>\$ 21,435,859</u>	<u>\$ 146,151,782</u>

See independent auditor's report and accompanying notes.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2025

	Program Services	Management and General	Fund-raising/ Campaign Expenses	Total
Salaries	\$ 1,167,077	\$ 633,728	\$ 517,234	\$ 2,318,039
Payroll taxes and benefits	283,131	177,231	122,441	582,803
Total personnel	1,450,208	810,959	639,675	2,900,842
Outreach programming	578,165	-	-	578,165
Professional services	273,566	81,777	67,915	423,258
Occupancy	140,247	50,832	53,695	244,774
Depreciation	106,419	38,999	41,640	187,058
Awards and scholarships	119,650	-	-	119,650
Information technology	77,375	29,877	2,518	109,770
Insurance	46,313	16,013	13,028	75,354
Travel and conferences	15,307	14,278	20,665	50,250
Bad debt expense	36,451	1,523	10,717	48,691
Staff development and recruitment	13,989	29,692	223	43,904
Printing	16,184	3,566	23,368	43,118
Telephone and internet	16,158	6,315	6,652	29,125
Community events and meetings	4,810	16,851	4,132	25,793
Dues and subscriptions	15,009	5,482	1,669	22,160
Bank service fees	3,728	1,372	16,287	21,387
Postage	7,652	5,149	7,548	20,349
Office and food supplies	6,393	6,052	1,624	14,069
Publicity and advertising	-	422	-	422
Total functional expenses	<u>\$ 2,927,624</u>	<u>\$ 1,119,159</u>	<u>\$ 911,356</u>	<u>\$ 4,958,139</u>

See independent auditor's report and accompanying notes.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2024

	Program Services	Management and General	Fund-raising/ Campaign Expenses	Total
Salaries	\$ 1,151,695	\$ 623,814	\$ 334,369	\$ 2,109,878
Payroll taxes and benefits	257,188	124,937	113,040	495,165
Total personnel	1,408,883	748,751	447,409	2,605,043
Professional services	229,782	79,659	88,356	397,797
Outreach programming	381,311	-	-	381,311
Occupancy	154,185	43,929	38,806	236,920
Depreciation	131,215	27,283	34,402	192,900
Dues and subscriptions	63,695	19,875	6,626	90,196
Information technology	15,029	47,259	26,672	88,960
Insurance	43,576	11,315	8,652	63,543
Awards and scholarships	57,291	-	1,000	58,291
Bad debt expense	29,184	12,991	12,302	54,477
Community events and meetings	42,093	7,560	1,969	51,622
Telephone and internet	13,307	6,845	7,222	27,374
Travel and conferences	14,960	7,744	1,612	24,316
Printing	3,094	5,503	12,122	20,719
Staff development and recruitment	5,501	6,673	2,215	14,389
Bank service fees	8,481	964	4,373	13,818
Office and food supplies	9,649	1,770	2,366	13,785
Postage	608	2,201	5,194	8,003
Publicity and advertising	958	-	-	958
Total functional expenses	<u>\$ 2,612,802</u>	<u>\$ 1,030,322</u>	<u>\$ 701,298</u>	<u>\$ 4,344,422</u>

See independent auditor's report and accompanying notes.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 9,271,877	\$ 15,187,644
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	187,058	192,900
Bad debt expense	43,591	33,777
Donated marketable securities	(4,795,214)	(1,596,697)
Change in value of real estate held for sale	(300,000)	-
Accounts receivable forgiven	50,000	20,000
Realized and unrealized gain on investments in marketable securities	(9,521,822)	(7,092,485)
Change in value of split interest agreements	(2,570)	(34,093)
Change in allowance for net present value, unconditional promises to give	5,100	3,000
Change in provision for uncollectible promises to give	(13,000)	20,700
Change in value of beneficial interests in trust	377,386	(339,458)
Change in value of interests in partnerships and closely-held corporations	167,275	(1,317,554)
Changes in operating assets and liabilities:		
Accounts receivable	(336,197)	(195)
Accrued interest receivable	(3,016)	16,462
Unconditional promises to give	(353,429)	(442,595)
Prepaid expenses and other current assets	25,775	19,892
Cash surrender value of life insurance	4,406	11,330
Accounts payable and accrued expenses	191,856	42,393
Grants payable	183,955	(851,782)
Funds held for others	4,764,363	2,185,578
Total adjustments	(9,324,483)	(9,128,827)
Net cash (used in) provided by operating activities	(52,606)	6,058,817
Cash flows from investing activities:		
Purchases of investments in marketable securities	(27,009,079)	(25,046,662)
Proceeds from sales of investments in marketable securities	25,205,037	24,742,555
Purchases of property and equipment	(85,343)	(24,468)
Payments received on notes receivable	75,000	-
Net cash used in investing activities	(1,814,385)	(328,575)
Cash flows from financing activities	-	-
Change in cash and cash equivalents	(1,866,991)	5,730,242
Cash and cash equivalents, beginning of year	26,592,418	20,862,176
Cash and cash equivalents, end of year	\$ 24,725,427	\$ 26,592,418
Schedule of cash flow information:		
Cash paid for taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -
Schedule of non-cash investing and financing information:		
Donated marketable securities	\$ 4,795,214	\$ 1,596,697
Accounts receivable forgiven	\$ 50,000	\$ 20,000

See independent auditor's report and accompanying notes.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2025 and 2024

1. Nature of Activities

Jewish Philanthropies of Southern Arizona (JPSA) is the sole member of the Jewish Federation of Southern Arizona, Inc. (JFSA) and the Jewish Community Foundation of Southern Arizona (JCF). JPSA was created to achieve greater efficiencies and provide for a more holistic approach to serving donors, fund holders and other stakeholders in the community.

JFSA is an Arizona nonprofit corporation. It serves as the fundraising, administrative and planning organization for various related social service and educational agencies serving the Tucson community, with a special emphasis on the Jewish community.

JCF operates as a community foundation. Its primary purposes are to ensure the continuity of the Jewish community in southern Arizona; to receive and maintain a fund or funds of real or personal property, or both, and to use and apply the whole or part of income therefrom and the principal thereof exclusively for nonprofit purposes which principally serve the charitable, health, educational, cultural and social needs of the Jewish community.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of JPSA, JFSA and JCF (collectively referred to as the Organization). All significant inter-organization transactions have been eliminated in consolidation. However, selected footnotes are presented on an unconsolidated basis when deemed more informative to the financial statement users.

Basis of Presentation and Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – net assets available for use in general operations and not subject to donor (or grantor) restrictions. While board-designated funds, endowments without donor restrictions, and donor-advised funds are unrestricted for financial reporting purposes, the Board does not intend to use or make these funds available for general expenditure.
- Net assets with donor restrictions – net assets subject to donor (or grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity and over which JCF does not have variance power. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less.

See independent auditor's report.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2025 and 2024

2. Summary of Significant Accounting Policies, Continued

Accounting 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Concentration Risk

The Organization maintains cash and investment accounts with various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to \$250,000 per institution. The Securities Investor Protection Corporation (SIPC) protects securities up to \$500,000, of which \$250,000 may be un-invested cash. Excess SIPC coverage protects cash accounts over the \$250,000 SIPC limit. This coverage is primarily designed to return funds to investors if the brokerage firm holding these assets becomes insolvent. It does not protect against market risk.

At December 31, 2025 and 2024, the Organization, collectively, had \$3,701,145 and \$2,254,212, respectively, on deposit in excess FDIC insurance limits and \$139,262,481 and \$123,441,187, respectively, of investments in excess of SIPC insurance limits. Management does not believe it is exposed to any credit risk related to cash and investment accounts.

Investments in Marketable Securities

Investments in marketable securities consist primarily of mutual funds and alternative investment funds, under management with SEI Investments, all of which are carried at quoted market values determined at the date of the consolidated statement of financial position. Certain donated investments are valued at fair market value. Alternative investment funds are reflected at fair value as reported by the fund managers or general partners, and may differ significantly from the values that would have been reported had a ready market for these securities existed. The Organization's management reviewed and concurs with the evaluation methods and assumptions used by the investment managers in determining the fair value of the alternative investment funds.

Notes Receivable

The Organization has two notes receivable from a nonprofit organization. Management believes that all of the notes are fully-collectible, therefore no allowance for doubtful collections have been recorded. If management becomes aware of conditions that indicate a permanent impairment of one or more of the notes, the value of the associate note would be adjusted to the new value.

Property and Equipment

Purchased property and equipment is recorded at cost, and donated property and equipment is recorded at its estimated fair market value on the date of the donation. The Organization's policy is to capitalize expenditures for property and equipment that exceed \$5,000 and an estimated useful life of more than one year. The cost of maintenance and repairs is charged to expense in the year incurred. Expenditures that increase the useful lives of assets are capitalized and depreciated. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings and improvements	2-39 years
Furniture, fixtures and equipment	2-7 years
Computer equipment and software	3 years

See independent auditor's report.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2025 and 2024

2. Summary of Significant Accounting Policies, Continued

Real Estate Held for Sale

Real estate held for sale is comprised of land and property for which the Organization holds title and is carried at appraised value, which management believes approximates fair value.

Income Tax Status

JPSA, JFSA and JCF are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to each entity's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, each entity 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).

The Organization's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. The Organization holds no uncertain tax positions and therefore, has no policy for evaluating them. As of December 31, 2025, management is not aware of any uncertain tax positions that are potentially material.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Contributions received are recorded as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue related to program activities is recognized when the performance obligation, the related program service, has been met by the Organization. Payments received for which there is an outstanding performance obligation are recorded as deferred revenue.

Donated Goods, Facilities and Services

Donated goods and space are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- Those services require specialized skills and the services are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.
- The services create or enhance nonfinancial assets.

Although the Organization utilizes the services of many outside volunteers, the fair market value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

See independent auditor's report.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2025 and 2024

2. Summary of Significant Accounting Policies, Continued

Accounts Receivable

Accounts receivable are carried at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contract, and other circumstances, which may affect the ability of customers to meet their obligation. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. The allowance for doubtful accounts balance was \$-0- at December 31, 2025 and 2024. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At December 31, 2025 and 2024, there were no accounts receivable balances greater than ninety days past due.

Unconditional Promises to Give and Fundraising Campaigns

The Organization conducts annual and special campaigns to raise funds for allocations to various organizations and programs. Contributions received that are intended to be expended or allocated in a subsequent year are recorded as temporarily restricted net assets until the year designated for use. Unconditional promises to give are recorded when received, and allowances are provided for amounts estimated to be uncollectible and for discounting multi-year promises to net present value.

Advertising Costs

The cost of advertising is expensed when incurred or when the first advertising takes place. The Organization does not participate in direct-response advertising, which requires the capitalization and amortization of related costs.

Expense Allocation

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facility costs and depreciation, which are allocated on a square footage basis. Salaries, wages, benefits, payroll taxes, office expenses, telephone, internet, information technology and other, are allocated on the basis of full-time equivalent positions (FTE). The allocation by FTE to a program or support function is based on annual analysis of time and effort, and allocation updates are applied mid-year if significant changes are noted.

Net Asset Reclassification

During the year ended December 31, 2024, management became aware that \$25,000 in net assets restricted for a specified purpose as of December 31, 2023 for JFSA had been inadvertently classified as net assets without donor restrictions. As a result, net assets with donor restrictions for a specified purpose have been increased, and net assets without donor restrictions have been decreased, by \$25,000 as of December 31, 2023.

3. Liquidity and Availability of Resources

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date are comprised of the following as of December 31,:

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3. Liquidity and Availability of Resources, Continued

	2025	2024
Cash and cash equivalents	\$ 24,725,427	\$ 26,592,418
Investment in marketable securities	144,091,522	127,970,444
Accounts receivable	346,392	60,195
Accrued interest receivable	159,675	156,659
Unconditional promises to give, current portion	1,591,381	1,179,355
Notes receivable	-	75,000
Cash surrender value of life insurance	4,870,353	4,874,759
Total financial assets available within one year	175,784,750	160,908,830
Less:		
Amounts included above but unavailable for general expenditure within one year due to:		
Board-designated funds	(120,221,289)	(113,408,896)
Net assets with donor restrictions	(23,548,088)	(21,435,859)
Alternative investments included above not considered redeemable within one year	(8,964,824)	(7,914,518)
Total financial assets available to management for general expenditure within one year	\$ 23,050,549	\$ 18,149,557

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers time horizons of 30 days, sources and uses of cash, levels of cash held, financial resources available and current liabilities of the various fund types.

The majority of the Organization's non-operating financial assets, which are held in funds with and without donor restrictions, are invested in pooled asset which can be easily converted to cash within two business days to meet the unique disbursement needs of the various fund types. Of the total pooled assets at December 31, 2025 and 2024, \$8,964,824 and \$7,914,518, respectively, are subject to lock-up periods or other restrictions and are, therefore, not considered redeemable within one year.

It is recognized that large portions of the pooled assets have exposure to market volatility. The investment risk of the pooled assets is managed by an external investment manager with oversight by the Organization's investment committee. Any disbursements or current liabilities from funds not designated for operations are limited to that particular fund's available liquid assets.

The majority of the Organization's excess operating cash is invested in a separate pool which is structured so that a portion is protected from market volatility. Any or all of the pool may be converted to cash within two business days. Cash in an amount sufficient to cover 30 days of operating expenses is maintained in two separate cash accounts.

While board-designated funds, endowments without donor restrictions and donor-advised funds are unrestricted for financial reporting purposes, the Board does not intend to use or make these funds available for general expenditures

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4. Unconditional Promises to Give

Unconditional promises to give consist of amounts pledged related to annual campaign and capital purposes and are schedule to be paid in futures years as follows at December 31,:

<u>Year ended December 31:</u>	<u>2025</u>	<u>2024</u>
2025	\$ -	\$ 1,249,355
2026	1,666,481	302,378
2027	175,390	15,360
2028	35,060	-
Total unconditional promises to give	1,876,931	1,567,093
Less interest component at 5.0% and 4.41%	(16,000)	(29,000)
Less allowance of doubtful promises to give	(75,100)	(70,000)
Unconditional promises to give, net	1,785,831	1,468,093
Less current portion	(1,591,381)	(1,179,355)
Non-current portion	<u>\$ 194,450</u>	<u>\$ 288,738</u>

5. Notes Receivable

As of December 31, 2024, there were two notes receivable from a nonprofit organization due to the Organization in the combined amount of \$75,000. The notes required semi-annual interest-only payments at .05% per annum of \$375 and were repaid in full during February 2025.

6. Property and Equipment

Property and equipment consists of the following at December 31,:

	<u>2025</u>	<u>2024</u>
Land	\$ 1,025,738	\$ 1,025,738
Buildings and improvements	5,297,980	5,219,146
Furniture, fixtures and equipment	259,815	255,852
Computer equipment and software	36,482	104,053
Total property and equipment	6,620,015	6,604,789
Less accumulated depreciation	(1,343,662)	(1,226,721)
Property and equipment, net	<u>\$ 5,276,353</u>	<u>\$ 5,378,068</u>

7. Fair Value Measurements and Investment Income

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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7. Fair Value Measurements and Investment Income, Continued

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. The Organization does not utilize Level 2 inputs.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets using level 3 inputs for valuation on a recurring basis:

- The real estate held for sale fair values are determined by appraised value. Interest in partnerships and closely held corporations are generally determined by the percentage of ownership of the books value at year-end, which management believes approximates fair market value.
- Alternative investments include a private equity fund and a pooled investment hedge fund. Values for alternative investments are based on information provided by the investment brokerage holding the funds.
- The beneficial interest in a trust is valued based on income generated by the trust and a capitalization rate provided by the trustee

Fair values of assets measured on a recurring basis at December 31, 2025 are:

	Level 1	Level 3	Total
Mutual funds	\$ 103,107,855	\$ -	\$ 103,107,855
Alternative investments	-	40,983,667	40,983,667
	103,107,855	40,983,667	144,091,522
Beneficial interest in trust, net	-	3,561,596	3,561,596
Real estate held for sale	-	1,200,000	1,200,000
Less: restricted by donor in perpetuity	(4,024,633)	-	(4,024,633)
Valued using NAV as a practical expedient- interests in partnerships and closely held corporations	-	-	7,819,238
	<u>\$ 99,083,222</u>	<u>\$ 45,745,263</u>	<u>\$ 152,647,723</u>

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7. Fair Value Measurements and Investment Income, Continued

Fair values of assets measured on a recurring basis at December 31, 2024 are:

	Level 1	Level 3	Total
Mutual funds	\$ 89,712,833	\$ -	\$ 89,712,833
Equities	1,201,753	-	1,201,753
Alternative investments	-	37,055,858	37,055,858
	<u>90,914,586</u>	<u>37,055,858</u>	<u>127,970,444</u>
Beneficial interest in trust, net	-	3,938,982	3,938,982
Real estate held for sale	-	900,000	900,000
Less: restricted by donor in perpetuity	(7,152,554)	-	(7,152,554)
Valued using NAV as a practical expedient- interests in partnerships and closely held corporations	-	-	7,986,513
	<u>\$ 83,762,032</u>	<u>\$ 41,894,840</u>	<u>\$ 133,643,385</u>

In accordance with FASB ASC Subtopic 820-10, certain investments measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

The table below sets forth a summary of changes in assets measured at fair value on a recurring basis using level 3 inputs for the year ended December 31, 2025:

	Alternative Investments	Real Estate Held for Sale	Beneficial Interest in Trust
Balance, beginning of year	\$ 37,055,858	\$ 900,000	\$ 3,938,982
Purchases/donations	1,099,479	-	-
Sales	-	-	-
Investment income, net	2,828,330	-	-
Change in fair value	-	300,000	(377,386)
	<u>\$ 40,983,667</u>	<u>\$ 1,200,000</u>	<u>\$ 3,561,596</u>

The table below sets forth a summary of changes in assets measured at fair value on a recurring basis using level 3 inputs for the year ended December 31, 2024:

	Alternative Investments	Real Estate Held for Sale	Beneficial Interest in Trust
Balance, beginning of year	\$ 32,634,090	\$ 900,000	\$ 3,599,524
Purchases/donations	1,255,283	-	-
Sales	(96,006)	-	-
Investment income, net	3,262,491	-	-
Change in fair value	-	-	339,458
	<u>\$ 37,055,858</u>	<u>\$ 900,000</u>	<u>\$ 3,938,982</u>

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7. Fair Value Measurements and Investment Income, Continued

Investments valued using net asset value as a practical expedient:

Net asset value (NAV): Investments which use NAV as a practical expedient to determine fair value are excluded from the fair value hierarchy. The NAV is reported by external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. These investments are generally less liquid than other investments. For these investments, the value reported may differ from the value that would have been reported had a ready market for these investments existed, and the difference could be material to the change in net assets. The Organization did not hold any class of investments valued using NAV as a practical expedient that can never be redeemed with the investees.

The Organization's interests in partnerships and closely held corporations that are valued using net asset value (NAV) as a practical expedient on a recurring basis are as follows at December 31, 2025:

	Fair Value	Unfunded Commitments	Redemption frequency (if currently available)	Redemption notice period
Real estate	\$ 2,171,935	\$ -		
Private equity fund	5,647,303	-	N/A	annually
	<u>\$ 7,819,238</u>	<u>\$ -</u>		

The Organization's interests in partnerships and closely held corporations that are valued using net asset value (NAV) as a practical expedient on a recurring basis are as follows at December 31, 2024:

	Fair Value	Unfunded Commitments	Redemption frequency (if currently available)	Redemption notice period
Real estate	\$ 2,136,683	\$ -		
Private equity fund	5,849,830	-	N/A	annually
	<u>\$ 7,986,513</u>	<u>\$ -</u>		

The real estate class includes holding companies that invest primarily in U.S. commercial real estate and associated assets. The fair values of the investments in this class have been estimated using the net asset value of the Organization's ownership percentage. Distributions from these funds are based on rental income received generated by the underlying commercial real property and will also be received if the underlying property is liquidated. The Organization is a minority partner in the funds and has no operational decision-making authority as to the use or sale of the underlying property.

The private equity fund class is a fund invested in a limited number of companies with capital appreciation potential. The fund is managed by a private investment bank and the Organization has no power to direct the activity of the fund.

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7. Fair Value Measurements and Investment Income, Continued

Investment income, net:

Investment income for the year ended December 31, 2025 is comprised of:

	Organization Investment Funds	Funds Held for Others	Total
Interest and dividend income	\$ 3,147,794	\$ 925,441	\$ 4,073,235
Unrealized gain	4,222,972	1,497,048	5,720,020
Realized gain	5,298,850	1,724,292	7,023,142
Change in value	461,379	8,186	469,565
Investment fees	(449,328)	(155,491)	(604,819)
Investment income, net	<u>\$ 12,681,667</u>	<u>\$ 3,999,476</u>	<u>\$ 16,681,143</u>

Investment income for the year ended December 31, 2024 is comprised of:

	Organization Investment Funds	Funds Held for Others	Total
Interest and dividend income	\$ 3,027,107	\$ 900,278	\$ 3,927,385
Unrealized gain	3,141,169	648,609	3,789,778
Realized gain	3,951,316	1,323,349	5,274,665
Change in value	1,454,545	5,698	1,460,243
Investment fees	(425,739)	(153,678)	(579,417)
Investment income, net	<u>\$ 11,148,398</u>	<u>\$ 2,724,256</u>	<u>\$ 13,872,654</u>

8. Designated Obligations

The Organization has entered into several charitable gift annuity agreements and charitable remainder trusts whereby the donor contributes assets in exchange for distributions for specified periods of time to the donor or other beneficiaries. At the end of the specified time (usually the designated beneficiary's lifetime), the remaining assets are available for the Organization's use. Assets received are recorded at the fair value on the date the agreement or trust is recognized, and a liability equal to the present value of future distributions is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue.

On an annual basis, the Organization revalues the liability based on applicable mortality tables and discount rates which vary from 1.2% to 8.0%. Although the liability is limited to the remaining assets in the charitable remainder trusts, for the charitable gift annuities, the actual amount of distributions are not limited to the value of the donated assets. The liabilities for designated obligations are estimated as follows at December 31,:

	2025	2024
Charitable remainder trusts	\$ 442,560	\$ 431,095
Charitable gift annuities	50,442	64,477
Total designated obligations	<u>\$ 493,002</u>	<u>\$ 495,572</u>

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9. Funds Held for Others

The Organization classifies funds held for other organizations into four categories:

Organization custodial – funds that the Organization is holding at the discretion of the charitable organization.

Donor-specified beneficiary – restricted contributions for which the donor has specified an affiliated or other charitable organization as the beneficiary and where the Organization does not have variance power.

Organization endowments – funds for which various organizations transferred assets to the Organization, but specified themselves as the beneficiaries. Although the variance power was given to the Organization at the time of transfer, the Organization accounts for these funds as liabilities in accordance with accounting principles generally accepted in the United States of America.

Funds held for others is comprised of the following at December 31,:

	<u>2025</u>	<u>2024</u>
Organizational custodial	\$ 18,352,398	\$ 16,134,327
Donor-specified beneficiary funds:		
Corpus	4,554,068	4,553,755
Available	1,835,571	1,373,593
Organization endowments	<u>11,987,871</u>	<u>9,903,870</u>
Total funds held for others	<u>\$ 36,729,908</u>	<u>\$ 31,965,545</u>

10. Designated Net Assets Without Donor Restrictions

The Organization's Board has established a policy regarding the purpose, approval and management of net assets without donor restrictions. While board-designated funds, endowments without donor restrictions and donor-advised funds are unrestricted for financial reporting purposes, the Board does not intend to use or make these funds available for general expenditure.

The net assets designated for donor-advised purposes include resources that are designated to support the mission of the Organization. The donor may recommend charitable distributions from the donor-advised funds, which are subject to approval by the Organization's Board. The endowment funds represent those funds in which the donor has requested that disbursements be made under the Organization's current spending rate policies, however, the Organization has variance power over the ultimate disposition of these endowment funds and their accumulated earnings. See Note 12.

Net assets without donor restrictions, on an unconsolidated basis, have been designated for specific purposes at December 31,:

JFSA

	<u>2025</u>	<u>2024</u>
Board-designated endowment funds	\$ 12,322,215	\$ 10,942,157
Other board-designated funds	87,401	108,804
Total designated net assets without donor restrictions	<u>\$ 12,409,616</u>	<u>\$ 11,050,961</u>

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10. Designated Net Assets Without Donor Restrictions, Continued

JCF

	<u>2025</u>	<u>2024</u>
Designated for donor advised purposes:		
Endowment funds	\$ 56,932,054	\$ 50,028,308
Donor advised funds	48,835,969	48,586,499
Other board-designated funds	4,395,362	4,837,736
Total designated net assets without donor restrictions	<u>\$ 110,163,385</u>	<u>\$ 103,452,543</u>

11. Net Assets With Donor Restrictions

Net assets with donor restrictions, on an unconsolidated basis, are restricted for the following purposes or periods at December 31,:

JFSA

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose:		
Security	\$ 397,587	\$ 264,259
Federation events and programs	101,416	129,961
Israel emergency	11,241	-
Other	1,054,213	721,720
	<u>1,564,457</u>	<u>1,115,940</u>
Subject to the passage of time and purpose restrictions:		
2024 campaign	-	2,783,423
2025 campaign	3,397,119	851,061
2026 campaign	1,519,532	334,510
2027 campaign	203,390	15,360
2028 campaign	60,060	-
	<u>5,180,101</u>	<u>3,984,354</u>
Endowments:		
Not subject to spending policy or appropriation - beneficial interest in funds held at JCF, original perpetual gifts and charitable remainder trust	324,118	323,025
Net assets with donor restrictions	<u>\$ 7,068,676</u>	<u>\$ 5,423,319</u>

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11. Net Assets With Donor Restrictions, Continued

JCF

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose	\$ 1,177,236	\$ 1,086,685
Subject to the passage of time and purpose restrictions	4,712,021	4,678,727
	<u>5,889,257</u>	<u>5,765,412</u>
Endowments:		
Subject to appropriation and expenditure - accumulated earnings on original endowment gifts:		
Competitive grants	2,755,720	2,645,072
Jewish Continuity program	283,474	219,925
Jewish education	306,575	230,104
Other programs	446,371	322,498
	<u>3,792,140</u>	<u>3,417,599</u>
Not subject to spending policy or appropriation - original endowment gifts:		
Competitive grants	4,440,158	4,436,591
Jewish Continuity program	245,328	245,328
Jewish education	800,926	800,926
Other programs	1,403,228	1,437,216
	<u>6,889,640</u>	<u>6,920,061</u>
Net assets with donor restrictions	<u>\$ 16,571,037</u>	<u>\$ 16,103,072</u>

Activity in net assets with donor restrictions, on an unconsolidated basis, is comprised of the following for the year ended December 31, 2025:

JFSA

	<u>Contributions</u>	<u>Change in Value of Beneficial Interests in Funds Held by JCF</u>	<u>Releases and Appropriations</u>	<u>Transfers</u>
Subject to expenditure for specified purpose				
Security	\$ 250,060	\$ -	\$ (116,732)	\$ -
Federation events and programs	103,885	-	(132,430)	-
Israel emergency	68,644	-	(57,403)	-
Other	881,337	-	(548,844)	-
	<u>1,303,926</u>	<u>-</u>	<u>(855,409)</u>	<u>-</u>

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11. Net Assets With Donor Restrictions, Continued

JFSA, continued

	Contributions	Change in Value of Beneficial Interests in Funds Held by JCF	Releases and Appropriations	Transfers
Subject to the passage of time and purpose restrictions:				
2024 and prior campaigns	133,207	-	(2,916,630)	-
2025 campaign	2,546,058	-	-	-
2026 campaign	1,185,022	-	-	-
2027 campaign	188,030	-	-	-
2028 campaign	60,060	-	-	-
	<u>4,112,377</u>	<u>-</u>	<u>(2,916,630)</u>	<u>-</u>
Endowments:				
Not subject to appropriation and expenditure:				
Charitable remainder unitrust	-	1,093	-	-
	<u>\$ 5,416,303</u>	<u>\$ 1,093</u>	<u>\$ (3,772,039)</u>	<u>\$ -</u>

JCF

	Contributions	Investment income/Change in value of beneficial interest in trusts	Releases and Appropriations	Transfers
Subject to expenditure for specified purpose	\$ -	\$ 184,230	\$ (94,255)	\$ 576
Subject to the passage of time and purpose restrictions	19,161	31,702	(18,588)	1,019
	<u>19,161</u>	<u>215,932</u>	<u>(112,843)</u>	<u>1,595</u>
Endowments:				
Subject to appropriation and expenditure - accumulated earnings on original endowment gifts:				
Competitive grants	-	930,682	(818,126)	(1,908)
Jewish Continuity program	-	70,480	(6,931)	-
Jewish education	-	134,829	(58,358)	-
Other programs	-	224,426	(98,943)	(1,610)
	<u>-</u>	<u>1,360,417</u>	<u>(982,358)</u>	<u>(3,518)</u>
Not subject to spending policy or appropriation - original endowment gifts:				
Competitive grants	1,659	-	-	1,908
Other programs	-	-	-	(33,988)
	<u>\$ 20,820</u>	<u>\$ 1,576,349</u>	<u>\$ (1,095,201)</u>	<u>\$ (34,003)</u>

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11. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions, on an unconsolidated basis, is comprised of the following for the year ended December 31, 2024:

JFSA

	Contributions	Change in Value of Beneficial Interests in Funds Held by JCF	Releases and Appropriations	Transfers
Subject to expenditure for specified purpose				
Designated local agency	\$ 32,533	\$ -	\$ (91,033)	\$ -
Security	190,331	-	(128,795)	-
Federation events and programs	122,065	-	(45,107)	-
Israel emergency	283,966	-	(526,584)	-
Other	493,265	23,477	(472,579)	-
	<u>1,122,160</u>	<u>23,477</u>	<u>(1,264,098)</u>	<u>-</u>
Subject to the passage of time and purpose restrictions:				
2023 and prior campaigns	289,590	-	(3,045,653)	-
2024 campaign	2,106,512	-	-	-
2025 campaign	812,456	-	-	-
2026 campaign	309,510	-	-	-
2027 campaign	15,360	-	-	-
	<u>3,533,428</u>	<u>-</u>	<u>(3,045,653)</u>	<u>-</u>
Endowments:				
Not subject to appropriation and expenditure:				
Charitable remainder unitrust	-	(505)	-	-
	<u>\$ 4,655,588</u>	<u>\$ 22,972</u>	<u>\$ (4,309,751)</u>	<u>\$ -</u>

JCF

	Contributions	Investment income/Change in value of beneficial interest in trusts	Releases and Appropriations	Transfers
Subject to expenditure for specified purpose	\$ -	\$ 158,152	\$ (103,875)	\$ 852
Subject to the passage of time and purpose restrictions	400	10,382	(8,371)	11,809
	<u>400</u>	<u>168,534</u>	<u>(112,246)</u>	<u>12,661</u>

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11. Net Assets With Donor Restrictions, Continued

JCF, continued

	<u>Contributions</u>	<u>Investment income/Change in value of beneficial interest in trusts</u>	<u>Releases and Appropriations</u>	<u>Transfers</u>
Endowments:				
Subject to appropriation and expenditure - accumulated earnings on original endowment gifts:				
Competitive grants	-	641,712	(307,311)	(9,848)
Jewish Continuity program	-	47,258	(11,496)	-
Jewish education	-	91,553	(28,031)	-
Other programs	-	156,872	(46,645)	(33,347)
	-	937,395	(393,483)	(43,195)
Not subject to spending policy or appropriation - original endowment gifts:				
Competitive grants	825	-	-	2,691
	-	-	-	-
	<u>\$ 1,225</u>	<u>\$ 1,105,929</u>	<u>\$ (505,729)</u>	<u>\$ (27,843)</u>

12. Endowments

The Organization's endowments consist of many individual funds established under either donor restriction or as designated by the Board for a variety of purposes. 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 Directors to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the Management of Charitable Funds Act (the Act) and, as a result, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time-restricted until the Board appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of the Organization has interpreted the Act as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

See independent auditor's report.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2025 and 2024

12. Endowments, Continued

In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Return Objectives and Risk Parameters

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a long-term real rate of return on assets that is greater than the sum of the Organization's annual spending policy goals, administrative fees, and the assumed rate of inflation as measured by the consumer price index, while assuming an acceptable level of risk.

Investment Strategies

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term objectives within prudent risk constraints. The primary purpose of the Organization is the preservation and protection of the property donated or bequeathed to the Organization and to provide funding for grants.

Spending Policy

The Organization has adopted a policy of appropriating for distribution each year between 3.5% and 5% of its endowment value (4% for the years ended December 31, 2025 and 2024). The rate is determined based on consideration of the net 10-year average total return, the current management fees owed to the Organization for endowment funds, the average consumer price index for the most recent 10 years and the long-term expected return on its endowments. The spending rate is applied to the average of the preceding 20 quarter-ending fund balances to arrive at the annual distribution amount. This is consistent with Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds, over which the Organization does not have variance power, may fall below the level of the original gift values and become underwater for a period of time. The Board of the Organization has interpreted the Act to permit spending from underwater funds in accordance with the prudent measures required under the law. There were no accumulated deficiencies at December 31, 2025 and 2024.

See independent auditor's report.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2025 and 2024

12. Endowments, Continued

Endowment fund net asset activity, on an unconsolidated basis, consists of the following for the year ended December 31, 2025:

JFSA

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2024	\$ 10,942,157	\$ 323,025	\$ 11,265,182
Change in value of beneficial interest in charitable remainder unitrust	-	1,093	1,093
Change in value of beneficial interests in funds held at JCF	1,600,982	-	1,600,982
Transfers and appropriations	(220,924)	-	(220,924)
Balance, December 31, 2025	<u>\$ 12,322,215</u>	<u>\$ 324,118</u>	<u>\$ 12,646,333</u>

JCF

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2024	\$ 50,028,308	\$ 10,337,660	\$ 60,365,968
Contributions	1,959,618	1,658	1,961,276
Investment income, net	6,614,251	1,360,418	7,974,669
Change in cash surrender value life insurance	4,607	-	4,607
Releases and appropriations	(1,997,260)	(935,406)	(2,932,666)
Transfers	322,530	(82,550)	239,980
Balance, December 31, 2025	<u>\$ 56,932,054</u>	<u>\$ 10,681,780</u>	<u>\$ 67,613,834</u>

Endowment fund net asset activity, on an unconsolidated basis, consists of the following for the year ended December 31, 2024:

JFSA

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2023	\$ 10,235,508	\$ 323,530	\$ 10,559,038
Change in value of beneficial interest in charitable remainder unitrust	-	(505)	(505)
Change in value of beneficial interests in funds held at JCF	981,541	-	981,541
Transfers and appropriations	(274,892)	-	(274,892)
Balance, December 31, 2024	<u>\$ 10,942,157</u>	<u>\$ 323,025</u>	<u>\$ 11,265,182</u>

See independent auditor's report.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2025 and 2024

12. Endowments, Continued

JCF

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2023	\$ 47,069,662	\$ 9,833,427	\$ 56,903,089
Contributions	323,427	825	324,252
Investment income, net	4,767,674	937,395	5,705,069
Change in cash surrender value life insurance	939	-	939
Releases and appropriations	(1,998,987)	(393,483)	(2,392,470)
Transfers	(134,407)	(40,504)	(174,911)
Balance, December 31, 2024	\$ 50,028,308	\$ 10,337,660	\$ 60,365,968

13. Land Leases and Trusts

JFSA is party to a lease with the Tucson Jewish Community Center and the Tucson Hebrew Academy for use of land under ground leases dated March 28, 1989 and February 11, 1994, respectively. In addition, JFSA has beneficial title to land recorded in the financial statements of Jewish Family and Children's Services, Hillel Foundation at the University of Arizona and the Jewish History Museum and Holocaust History Center, wherein these agencies retain the right of occupancy and control under the related trust agreements.

14. Retirement Plan

JFSA and JCF are affiliates under the JCC's 401(k) plan. Employees are eligible to participate in the 401(k) plan upon reaching age 21. There is no minimum service requirement and employees are eligible to defer compensation into the plan upon employment. The total consolidated contribution to the benefit plan for the years ended December 31, 2025 and 2024 was \$82,947 and \$59,856, respectively.

15. Subsequent Events

Management is not aware of any subsequent events have occurred that would have a material impact on the presentation of the Organization's consolidated financial statements as of June 16, 2026, the date the consolidated financial statements were available to be issued.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2025

ASSETS

	Jewish Philanthropies of Southern Arizona (JPSA)	Jewish Federation of Southern Arizona (JFSA)	Jewish Community Foundation of Southern Arizona and Affiliate (JCF)	Consolidating Adjustments	Consolidated Totals
Current assets:					
Cash and cash equivalents	\$ -	\$ 2,031,763	\$ 22,693,664	\$ -	\$ 24,725,427
Accounts receivable	-	346,392	-	-	346,392
Accrued interest receivable	-	-	159,675	-	159,675
Unconditional promises to give, current portion	-	1,591,381	-	-	1,591,381
Prepaid expenses and other current assets	-	87,140	9,340	-	96,480
Total current assets	-	4,056,676	22,862,679	-	26,919,355
Unconditional promises to give, non-current portion	-	194,450	-	-	194,450
Cash surrender value of life insurance	-	-	4,870,353	-	4,870,353
Investments in marketable securities	-	-	144,091,522	-	144,091,522
Interests in partnerships and closely-held corporations	-	-	7,819,238	-	7,819,238
Real estate held for sale	-	-	1,200,000	-	1,200,000
Beneficial interest in funds held by JCF	-	16,900,801	-	(16,900,801)	-
Beneficial interest in trust, net	-	91,625	3,561,596	(91,625)	3,561,596
Property and equipment, net	-	5,253,187	23,166	-	5,276,353
Investment in subsidiaries	157,866,996	-	-	(157,866,996)	-
Total assets	\$ 157,866,996	\$ 26,496,739	\$ 184,428,554	\$ (174,859,422)	\$ 193,932,867

Supplementary Information.
See independent auditor's report.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued
For the year ended December 31, 2025

	<u>LIABILITIES AND NET ASSETS</u>				
	Jewish Philanthropies of Southern Arizona (JPSA)	Jewish Federation of Southern Arizona (JFSA)	Jewish Community Foundation of Southern Arizona and Affiliate (JCF)	Consolidating Adjustments	Consolidated Totals
Current liabilities:					
Accounts payable and accrued expenses	\$ -	\$ 418,089	\$ 185,202	\$ -	\$ 603,291
Grants payable	-	-	683,007	-	683,007
Designated obligations	-	-	493,002	-	493,002
Funds held for others	-	-	51,278,997	(14,549,089)	36,729,908
Total current liabilities	-	418,089	52,640,208	(14,549,089)	38,509,208
Total liabilities	-	418,089	52,640,208	(14,549,089)	38,509,208
Net assets:					
Without donor restrictions:					
Undesignated	157,866,996	1,347,171	5,030,758	(157,866,996)	6,377,929
Designated:					
Designated for donor advised purposes:					
Endowments, including accumulated earnings of \$2,451,962 and \$15,654,545	-	12,322,215	56,932,054	(2,351,712)	66,902,557
Donor-advised funds	-	-	48,835,969	-	48,835,969
Other designations	-	87,401	4,395,362	-	4,482,763
Expended for property and equipment	-	5,253,187	23,166	-	5,276,353
Total net assets without donor restrictions	157,866,996	19,009,974	115,217,309	(160,218,708)	131,875,571
With donor restrictions:					
Purpose restrictions	-	1,564,457	1,177,236	-	2,741,693
Time-restricted for future periods	-	5,180,101	4,712,021	-	9,892,122
Perpetual in nature	-	324,118	3,792,140	(91,625)	4,024,633
Subject to appropriation and expenditure	-	-	6,889,640	-	6,889,640
Total net assets with donor restrictions	-	7,068,676	16,571,037	(91,625)	23,548,088
Total net assets	157,866,996	26,078,650	131,788,346	(160,310,333)	155,423,659
Total liabilities and net assets	\$ 157,866,996	\$ 26,496,739	\$ 184,428,554	\$ (174,859,422)	\$ 193,932,867

Supplementary Information.
See independent auditor's report.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2024

ASSETS

	Jewish Philanthropies of Southern Arizona (JP SA)	Jewish Federation of Southern Arizona (JF SA)	Jewish Community Foundation of Southern Arizona and Affiliate (JCF)	Consolidating Adjustments	Consolidated Totals
Current assets:					
Cash and cash equivalents	\$ -	\$ 1,735,470	\$ 24,856,948	\$ -	\$ 26,592,418
Accounts receivable	-	273,228	-	(213,033)	60,195
Accrued interest receivable	-	-	156,659	-	156,659
Unconditional promises to give, current portion	-	1,179,355	-	-	1,179,355
Notes receivable	-	-	75,000	-	75,000
Prepaid expenses and other current assets	-	72,278	49,977	-	122,255
Total current assets	-	3,260,331	25,138,584	(213,033)	28,185,882
Unconditional promises to give, non-current portion	-	288,738	-	-	288,738
Cash surrender value of life insurance	-	-	4,874,759	-	4,874,759
Investments in marketable securities	-	-	127,970,444	-	127,970,444
Interests in partnerships and closely-held corporations	-	-	7,986,513	-	7,986,513
Real estate held for sale	-	-	900,000	-	900,000
Beneficial interest in funds held by JCF	-	14,681,572	-	(14,681,572)	-
Beneficial interest in trust, net	-	90,532	3,938,982	(90,532)	3,938,982
Property and equipment, net	-	5,344,268	33,800	-	5,378,068
Investment in subsidiaries	147,336,922	-	-	(147,336,922)	-
Total assets	\$ 147,336,922	\$ 23,665,441	\$ 170,843,082	\$ (162,322,059)	\$ 179,523,386

Supplementary Information.
See independent auditor's report.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued
For the year ended December 31, 2024

LIABILITIES AND NET ASSETS

	Jewish Philanthropies of Southern Arizona (JPSA)	Jewish Federation of Southern Arizona (JFSA)	Jewish Community Foundation of Southern Arizona and Affiliate (JCF)	Consolidating Adjustments	Consolidated Totals
Current liabilities:					
Accounts payable and accrued expenses	\$ -	\$ 400,766	\$ 223,702	\$ (213,033)	\$ 411,435
Grants payable	-	-	499,052	-	499,052
Designated obligations	-	-	495,572	-	495,572
Funds held for others	-	-	45,552,509	(13,586,964)	31,965,545
Total current liabilities	-	400,766	46,770,835	(13,799,997)	33,371,604
Total liabilities	-	400,766	46,770,835	(13,799,997)	33,371,604
Net assets:					
Without donor restrictions:					
Undesignated	147,336,922	1,446,127	4,482,832	(147,336,922)	5,928,959
Designated:					
Designated for donor advised purposes:					
Endowments, including accumulated earnings of \$2,564,066 and \$11,011,516	-	10,942,157	50,028,308	(1,094,608)	59,875,857
Donor-advised funds	-	-	48,586,499	-	48,586,499
Other designations	-	108,804	4,837,736	-	4,946,540
Expended for property and equipment	-	5,344,268	33,800	-	5,378,068
Total net assets without donor restrictions	147,336,922	17,841,356	107,969,175	(148,431,530)	124,715,923
With donor restrictions:					
Purpose restrictions	-	1,115,940	1,086,685	-	2,202,625
Time-restricted for future periods	-	3,984,354	4,678,727	-	8,663,081
Perpetual in nature	-	323,025	6,920,061	(90,532)	7,152,554
Subject to appropriation and expenditure	-	-	3,417,599	-	3,417,599
Total net assets with donor restrictions	-	5,423,319	16,103,072	(90,532)	21,435,859
Total net assets	147,336,922	23,264,675	124,072,247	(148,522,062)	146,151,782
Total liabilities and net assets	\$ 147,336,922	\$ 23,665,441	\$ 170,843,082	\$ (162,322,059)	\$ 179,523,386

Supplementary Information.
See independent auditor's report.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended December 31, 2025

	Jewish Philanthropies of Southern Arizona (JPASA)	Jewish Federation of Southern Arizona (JFSA)			Jewish Community Foundation of Southern Arizona (JCF)			Consolidating Adjustments	Consolidated Totals
		Without Donor Restrictions	With Donor Restrictions	Total JFSA	Without Donor Restrictions	With Donor Restrictions	Total JCF		
Revenue and support:									
Contributions	\$ -	\$ 428,869	\$ 5,416,303	\$ 5,845,172	\$ 17,618,411	\$ 20,820	\$ 17,639,231	\$ (2,708,476)	\$ 20,775,927
Administrative fees	-	-	-	-	366,598	-	366,598	-	366,598
Program revenue	-	62,722	-	62,722	-	-	-	-	62,722
Special events	-	61,554	-	61,554	-	-	-	-	61,554
Rental income	-	43,858	-	43,858	-	-	-	-	43,858
	-	597,003	5,416,303	6,013,306	17,985,009	20,820	18,005,829	(2,708,476)	21,310,659
Net assets released from restrictions	-	3,772,039	(3,772,039)	-	1,129,204	(1,129,204)	-	-	-
Total revenue and support	-	4,369,042	1,644,264	6,013,306	19,114,213	(1,108,384)	18,005,829	(2,708,476)	21,310,659
Investment and other income:									
Investment income, net	-	-	-	-	10,606,177	1,573,779	12,179,956	501,711	12,681,667
Change in value of split interest agreements	-	-	1,093	1,093	-	2,570	2,570	(1,093)	2,570
Change in value of beneficial interests in funds held by JCF	-	1,758,815	-	1,758,815	-	-	-	(1,758,815)	-
Other income	-	6,374	-	6,374	102,414	-	102,414	-	108,788
Change in net assets of subsidiaries	10,530,074	-	-	-	-	-	-	(10,530,074)	-
Total investment and other income	10,530,074	1,765,189	1,093	1,766,282	10,708,591	1,576,349	12,284,940	(11,788,271)	12,793,025
Revenue, investment and other income	10,530,074	6,134,231	1,645,357	7,779,588	29,822,804	467,965	30,290,769	(14,496,747)	34,103,684
Allocations, grants, and other expenses:									
Allocations and grants:									
Local agencies and programs	-	1,090,209	-	1,090,209	-	-	-	-	1,090,209
Grants and distributions	-	-	-	-	20,992,446	-	20,992,446	(2,708,476)	18,283,970
JFNA/JCD/Other overseas	-	286,290	-	286,290	-	-	-	-	286,290
National agencies and special relief	-	142,196	-	142,196	-	-	-	-	142,196
Total allocations and grants	-	1,518,695	-	1,518,695	20,992,446	-	20,992,446	(2,708,476)	19,802,665
Other expenses:									
Program services	-	1,754,608	-	1,754,608	1,173,016	-	1,173,016	-	2,927,624
Management and general	-	791,363	-	791,363	327,796	-	327,796	-	1,119,159
Fund-raising/campaign expenses	-	829,944	-	829,944	81,412	-	81,412	-	911,356
Direct donor benefit costs	-	71,003	-	71,003	-	-	-	-	71,003
Total other expenses	-	3,446,918	-	3,446,918	1,582,224	-	1,582,224	-	5,029,142
Total allocations, grants, and other expenses	-	4,965,613	-	4,965,613	22,574,670	-	22,574,670	(2,708,476)	24,831,807
Change in net assets	10,530,074	1,168,618	1,645,357	2,813,975	7,248,134	467,965	7,716,099	(11,788,271)	9,271,877
Net assets, beginning of year	147,336,922	17,841,356	5,423,319	23,264,675	107,969,175	16,103,072	124,072,247	(148,522,062)	146,151,782
Net assets, end of year	\$ 157,866,996	\$ 19,009,974	\$ 7,068,676	\$ 26,078,650	\$ 115,217,309	\$ 16,571,037	\$ 131,788,346	\$ (160,310,333)	\$ 155,423,659

Supplementary Information.
See independent auditor's report.

JEWISH PHILANTHROPIES OF SOUTHERN ARIZONA AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended December 31, 2024

	Jewish Philanthropies of Southern Arizona (JPASA)	Jewish Federation of Southern Arizona (JFSA)			Jewish Community Foundation of Southern Arizona (JCF)			Consolidating Adjustments	Consolidated Totals
		Without Donor Restrictions	With Donor Restrictions	Total JFSA	Without Donor Restrictions	With Donor Restrictions	Total JCF		
Revenue and support:									
Contributions	\$ -	\$ 106,157	\$ 4,655,588	\$ 4,761,745	\$ 20,449,958	\$ 1,225	\$ 20,451,183	\$ (2,288,312)	\$ 22,924,616
Administrative fees	-	-	-	-	298,626	-	298,626	-	298,626
Program revenue	-	78,829	-	78,829	-	-	-	-	78,829
Rental income	-	37,945	-	37,945	-	-	-	-	37,945
Special events	-	25,131	-	25,131	-	-	-	-	25,131
	-	248,062	4,655,588	4,903,650	20,748,584	1,225	20,749,809	(2,288,312)	23,365,147
Net assets released from restrictions	-	4,309,751	(4,309,751)	-	533,572	(533,572)	-	-	-
Total revenue and support	-	4,557,813	345,837	4,903,650	21,282,156	(532,347)	20,749,809	(2,288,312)	23,365,147
Investment and other income:									
Investment income, net	-	-	-	-	8,821,707	1,071,836	9,893,543	1,254,855	11,148,398
Change in value of split interest agreements	-	-	(505)	(505)	-	34,093	34,093	505	34,093
Change in value of beneficial interests in funds held by JCF	-	1,264,893	23,477	1,288,370	-	-	-	(1,288,370)	-
Other income	-	56	-	56	344,110	-	344,110	-	344,166
Change in net assets of subsidiaries	15,220,654	-	-	-	-	-	-	(15,220,654)	-
Total investment and other income	15,220,654	1,264,949	22,972	1,287,921	9,165,817	1,105,929	10,271,746	(15,253,664)	11,526,657
Revenue, investment and other income	15,220,654	5,822,762	368,809	6,191,571	30,447,973	573,582	31,021,555	(17,541,976)	34,891,804
Allocations, grants, and other expenses:									
Allocations and grants:									
Local agencies and programs	-	1,313,961	-	1,313,961	-	-	-	-	1,313,961
Grants and distributions	-	-	-	-	15,356,575	-	15,356,575	(2,288,312)	13,068,263
JFNA/JCD/Other overseas	-	756,243	-	756,243	-	-	-	-	756,243
National agencies and special relief	-	142,994	-	142,994	-	-	-	-	142,994
Total allocations and grants	-	2,213,198	-	2,213,198	15,356,575	-	15,356,575	(2,288,312)	15,281,461
Other expenses:									
Program services	-	1,579,791	-	1,579,791	1,033,011	-	1,033,011	-	2,612,802
Management and general	-	700,110	-	700,110	330,212	-	330,212	-	1,030,322
Fund-raising/campaign expenses	-	635,712	-	635,712	65,586	-	65,586	-	701,298
Direct donor benefit costs	-	78,277	-	78,277	-	-	-	-	78,277
Total other expenses	-	2,993,890	-	2,993,890	1,428,809	-	1,428,809	-	4,422,699
Total allocations, grants, and other expenses	-	5,207,088	-	5,207,088	16,785,384	-	16,785,384	(2,288,312)	19,704,160
Change in net assets	15,220,654	615,674	368,809	984,483	13,662,589	573,582	14,236,171	(15,253,664)	15,187,644
Net assets, beginning of year, reclassified	132,116,268	17,225,682	5,054,510	22,280,192	94,306,586	15,529,490	109,836,076	(133,268,398)	130,964,138
Net assets, end of year	\$ 147,336,922	\$ 17,841,356	\$ 5,423,319	\$ 23,264,675	\$ 107,969,175	\$ 16,103,072	\$ 124,072,247	\$ (148,522,062)	\$ 146,151,782

Supplementary Information.
See independent auditor's report.