Cleveland Hillel Foundation, Incorporated

Financial Statements
Years Ended June 30, 2018 and 2017

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Contents

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Independent Auditor's Report

To the Board of Directors
Cleveland Hillel Foundation, Incorporated
Cleveland, Ohio

We have audited the accompanying financial statements of Cleveland Hillel Foundation, Incorporated, which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities, functional expenses 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 risk 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland Hillel Foundation, Incorporated as of June 30, 2018 and 2017, 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.

BDO USA, LLP

Cleveland, Ohio
October 25, 2018

Financial Statements

Cleveland Hillel Foundation, Incorporated

Statements of Financial Position

June 30,		**2018**		2017
Assets				
Cash	**$**	**113,351**	$	104,910
Construction cash		**194,749**		93,635
Cash equivalents		**133,383**		120,462
Investments		**520,383**		527,430
Receivables				
Unrestricted pledges and grants		**32,248**		19,322
Restricted pledges and grants		**20,500**		39,500
Other		**98,338**		43,232
Assets held by others - Endowment		**194,462**		191,875
Assets held by others - New Building		**927,389**		1,355,501
Other assets		**12,711**		12,231
Property				
Land		**246,500**		246,500
Buildings and improvements		**4,144,410**		4,117,437
Furniture and equipment		**204,445**		204,445
		4,595,355		4,568,382
Less accumulated depreciation		**(367,176)**		(223,117)
Total Property		**4,228,179**		4,345,265
Total Assets	**$**	**6,475,693**	$	6,853,363

Cleveland Hillel Foundation, Incorporated

Statements of Financial Position

June 30,		**2018**		2017
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	**$**	**41,342**	$	42,864
Building loan payable, net		**1,519,503**		1,773,719
Loans payable - Jewish Federation of Cleveland		**-**		373
Deferred deposits		**2,200**		2,200
Accrued pension liability		**573,685**		606,852
Total Liabilities		**2,136,730**		2,426,008
Net Assets				
Unrestricted		**2,556,256**		2,323,624
Temporarily restricted		**1,662,707**		1,983,731
Permanently restricted		**120,000**		120,000
Total Net Assets		**4,338,963**		4,427,355
Total Liabilities and Net Assets	**$**	**6,475,693**	$	6,853,363

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Activities

Years Ended June 30,	**2018**				2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Activities:								
Support and Revenue:								
Jewish Federation of Cleveland allocation	**$ 628,722**	**$ -**	**$ -**	**$ 628,722**	$ 619,222	$ -	$ -	$ 619,222
Contributions and other grants - current year	**161,443**	**105,132**	**-**	**266,575**	153,461	123,366	-	276,827
Grants from Hillel International	**17,232**	**-**	**-**	**17,232**	4,322	15,500	-	19,822
Program service fees	**12,833**	**-**	**-**	**12,833**	15,528	-	-	15,528
Rental income	**54,457**	**-**	**-**	**54,457**	53,282	-	-	53,282
Special events, net	**9,071**	**-**	**-**	**9,071**	-	-	-	-
Interest and dividend income	**2,499**	**5,426**	**-**	**7,925**	2,077	4,747	-	6,824
Net realized and unrealized gain on investments	**10,988**	**5,559**	**-**	**16,547**	26,037	13,163	-	39,200
Net change in assets held by others - Endowment	**-**	**12,047**	**-**	**12,047**	-	25,117	-	25,117
Miscellaneous income	**1,836**	**-**	**-**	**1,836**	1,593	-	-	1,593
Net assets released from restrictions - operating	**122,190**	**(122,190)**	**-**	**-**	151,205	(151,205)	-	-
	1,021,271	**5,974**	**-**	**1,027,245**	1,026,727	30,688	-	1,057,415
Expenses:								
Program services	**810,512**	**-**	**-**	**810,512**	845,015	-	-	845,015
Management and general services	**230,771**	**-**	**-**	**230,771**	229,916	-	-	229,916
Fundraising	**109,676**	**-**	**-**	**109,676**	90,853	-	-	90,853
	1,150,959	**-**	**-**	**1,150,959**	1,165,784	-	-	1,165,784
Operating Activities: Support and Revenue (Under) Over Expenses	**(129,688)**	**5,974**	**-**	**(123,714)**	(139,057)	30,688	-	(108,369)
Non-Operating Activities:								
Change in assets held by others - New Building	**-**	**46,888**	**-**	**46,888**	-	87,785	-	87,785
Interest and Fees on Building Loan	**(38,541)**	**-**	**-**	**(38,541)**	(39,768)	-	-	(39,768)
Loan Fee amortization	**(6,192)**	**-**	**-**	**(6,192)**	(5,184)	-	-	(5,184)
Decrease in unfunded pension liability	**33,167**	**-**	**-**	**33,167**	27,945	-	-	27,945
Net assets released from restrictions - non-operating	**373,886**	**(373,886)**	**-**	**-**	653,207	(653,207)	-	-
Change In Net Assets	**232,632**	**(321,024)**	**-**	**(88,392)**	497,143	(534,734)	-	(37,591)
Net Assets, Beginning of Year	**2,323,624**	**1,983,731**	**120,000**	**4,427,355**	1,826,481	2,518,465	120,000	4,464,946
Net Assets, End of Year	**$ 2,556,256**	**$ 1,662,707**	**$ 120,000**	**$ 4,338,963**	$ 2,323,624	$ 1,983,731	$ 120,000	$ 4,427,355

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Functional Expenses

Years Ended June 30,	**2018**				2017			
	Program Services	**Management and General Services**	**Fundraising**	**Total**	Program Services	Management and General Services	Fundraising	Total
Salaries and wages	**$ 405,630**	**$ 127,536**	**$ 73,490**	**$ 606,656**	$ 444,187	$ 124,350	$ 54,501	$ 623,038
Depreciation	**108,044**	**28,812**	**7,203**	**144,059**	106,431	28,382	7,095	141,908
Employee benefits	**86,449**	**18,055**	**15,067**	**119,571**	92,387	16,914	9,704	119,005
Supplies	**80,676**	**3,586**	**5,378**	**89,640**	96,478	4,288	6,432	107,198
Occupancy	**46,297**	**12,346**	**3,086**	**61,729**	40,818	10,885	2,721	54,424
Professional services	**6,369**	**27,374**	**1,235**	**34,978**	10,240	31,674	4,828	46,742
Israel Fellow	**29,524**	**-**	**-**	**29,524**	15,342	-	-	15,342
Grants for summer internship program	**12,000**	**-**	**-**	**12,000**	10,000	-	-	10,000
Advertising	**2,780**	**2,200**	**180**	**5,160**	6,801	950	-	7,751
Conferences	**13,052**	**1,212**	**439**	**14,703**	5,472	1,419	89	6,980
Printing	**1,113**	**437**	**2,309**	**3,859**	1,105	1,224	4,539	6,868
Office equipment	**5,139**	**1,713**	**-**	**6,852**	4,905	1,635	-	6,540
Transportation	**5,076**	**260**	**174**	**5,510**	4,919	398	153	5,470
Service charges	**-**	**4,712**	**-**	**4,712**	-	4,711	-	4,711
Telephone	**1,684**	**421**	**250**	**2,355**	1,729	432	245	2,406
Staff recruitment	**3,573**	**1,532**	**-**	**5,105**	2,000	-	315	2,315
Bad debt expense	**-**	**-**	**-**	**-**	-	2,222	-	2,222
Web site and IT	**2,446**	**213**	**-**	**2,659**	1,406	122	-	1,528
Postage	**463**	**162**	**865**	**1,490**	760	267	231	1,258
Miscellaneous	**-**	**200**	**-**	**200**	-	43	-	43
Subscriptions and publications	**197**	**-**	**-**	**197**	35	-	-	35
Total Expenses	**$ 810,512**	**$ 230,771**	**$ 109,676**	**$ 1,150,959**	$ 845,015	$ 229,916	$ 90,853	$ 1,165,784

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Cash Flows

Years Ended June 30,		**2018**		2017
Cash Flows From Operating Activities				
Change in net assets	**$**	**(88,392)**	$	(37,591)
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities				
Depreciation		**144,059**		141,908
Loan fee amortization		**6,192**		5,184
Loss due to uncollectible pledges and bad debt expense		**-**		2,222
Net realized and unrealized gain on investments		**(16,547)**		(39,200)
Net change in assets held by others		**(49,475)**		(112,902)
(Decrease) in accrued pension liability		**(33,167)**		(27,945)
Changes in operating assets and liabilities				
Receivables		**(49,032)**		181,292
Other assets		**(480)**		(6,592)
Accounts payable and accrued expenses		**(1,522)**		6,576
Net Cash and Cash Equivalents (Used In) Provided By Operating Activities		**(88,364)**		112,952
Cash Flows From Investing Activities				
Additions to building and improvements		**(26,973)**		(57,463)
Distribution from assets held by others - new building		**475,000**		725,000
Refund of property taxes previously capitalized		**-**		20,145
Sale of investments		**30,000**		200,000
Purchase of investments		**(6,406)**		(406,203)
Net Cash and Cash Equivalents Provided By Investing Activities		**471,621**		481,479
Cash Flows From Financing Activities				
Repayment of building loan payable		**(260,408)**		(551,279)
Repayment of loans payable		**(373)**		(1,738)
Net Cash and Cash Equivalents Used In Financing Activities		**(260,781)**		(553,017)
Net Change In Cash and Cash Equivalents		**122,476**		41,414
Cash and Cash Equivalents, beginning of year		**319,007**		277,593
Cash and Cash Equivalents, end of year	**$**	**441,483**	$	319,007
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	**$**	**38,541**	$	39,768

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Description of Entity

The Cleveland Hillel Foundation, Incorporated (the Foundation) was established in June 1947 as a not-for-profit organization under the laws of Ohio and is tax exempt under the Internal Revenue Code Section 501(c)(3). The primary purpose of the Foundation is to provide cultural, social, and religious programming, while maintaining a visible and positive Jewish presence on campus that encourages and expands Jewish identity, values, and commitment among Jewish college students in Northeast Ohio. The Foundation predominately serves undergraduate, graduate and professional students attending Case Western Reserve University (CWRU), Cleveland State University and Oberlin College. On a more limited basis it also serves Cleveland Institute of Art, Cleveland Institute of Music, Cuyahoga Community College, John Carroll University, Ursuline College, Notre Dame College, Baldwin-Wallace University, and Lakeland Community College. The Foundation also provides a Summer Internship Program and summer social events for Cleveland based students, and through JCLE, year-round programming for Cleveland based young professionals. The Foundation receives an allocation from the annual campaign of Jewish Federation of Cleveland (Federation) and follows certain guidelines established by Federation.

Basis of Presentation

The Foundation's financial statements have been prepared as recommended by the American Institute of Certified Public Accountants' (AICPA) Audit and Accounting Guide for Not-for-Profit Organizations. The audit guide includes the requirements of Financial Accounting Standards Board (FASB) Codification, Financial Statements of Not-for-Profit Organizations. Under Generally Accepted Accounting Principles (GAAP), the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

The Foundation reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction expires or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted net assets represent revenue producing activities, primarily the Federation annual allocation, investment gains and losses and donations with no donor imposed restrictions, offset by programming, management and fundraising expenses. Temporarily restricted net assets are from contributions and other receipts of assets whose use by the Foundation is limited by donor-imposed stipulations to a specific time period or purpose. Permanently restricted net assets are from contributions whose use by the Foundation is restricted in perpetuity.

Cash and Cash Equivalents

The Foundation considers all short-term investments that have a maturity of three months or less at the date of purchase to be cash equivalents.

Investments and Investment Income

The Foundation reports investments in marketable securities with readily determinable fair values and all investments in debt securities at fair value in the statements of financial position. Investment income and gains or losses on temporarily restricted gifts are deemed to follow the restriction on the original gift. Gains and losses on investments are included in the statement of activities (see Note 3).

Pledges and Grants Receivable

The Foundation reports receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings. There was no allowance at June 30, 2018 and 2017.

Property

Land, buildings and improvements, and furniture and equipment are stated at cost at the date of acquisition. Donated property is recorded at the estimated fair value of the asset at the time of donation. Depreciation of buildings and equipment is computed on the straight-line basis over the estimated useful life of the related asset once the items are placed in service. Estimated useful lives range from 5 to 40 years. Assets greater than $2,500 are capitalized. Expenditures for minor equipment, maintenance, and repairs are charged to expense as incurred. (See Note 2).

Assets Held by Others-Endowment

The Foundation is a beneficiary of three funds held by Federation; Louis E. Emsheimer Hillel Arts Memorial Fund, George B. and Elsa Golden Memorial Lecture Fund, and the Ruth and Phil Hoffman Memorial Endowment Fund. The Foundation receives distributions for various purposes from these funds. The corpus is recorded as permanently restricted assets (see Note 4).

Assets Held by Others-New Building

The Foundation is a beneficiary of funds being held by CWRU for the purpose of a new student center for the Foundation (see Note 2). Changes to these funds have been reflected as non-operating support on the statements of activities. At June 30, 2018 and 2017, these funds consist of the discounted present value of pledge commitments received by CWRU and cash collected by CWRU on pledge commitments.

Debt Issuance Costs

The Foundation incurred costs in conjunction with its debt financing agreement (see Note 6). These financing fees are amortized over the term of the agreement using the straight-line method, which approximates the interest method, and are recorded as a component of interest expense. The amortization period is based on the life of the related debt agreement as described in Note 6. Debt issuance costs are included as a direct deduction from the related debt liability. Debt issuance costs, net of accumulated amortization were $86,256 and $92,448 at June 30, 2018 and 2017, respectively.

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged. Pledges receivable are unconditional commitments by donors that have not been received by the Foundation. Contributions received are recorded as unrestricted or restricted support, depending on the existence and/or nature of any donor restrictions.

Donated Services

A substantial number of volunteers donate significant amounts of time to the Foundation's program services. However, in most cases no amounts are reported in the financial statements for donated services since no objective basis is available to measure the value of such services. Donated services are recorded when an objective value can be determined. The Foundation did not record any donated services in 2018 or 2017.

Throughout the year Oberlin College provides to its students, free of charge, resources that further the Foundation's mission. For instance, from time to time Oberlin College provides meeting space and subsidized speakers and programming costs under Oberlin Student Hillel Organization, which is an authorized student organization registered through Oberlin College. These costs are not the obligation of the Foundation and, therefore are not reflected in these financial statements.

Functional Expense Allocation

The management of the Foundation determines the allocation of functional expenses to program services, management and general, and fundraising based on the actual time spent in each area by staff members and space used in each function.

Income Tax Status

The Internal Revenue Service has ruled that the Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present Federal income tax laws. The Foundation is classified as an exempt organization under section 509(a)(1).

The Foundation follows the accounting guidance for uncertainty in income taxes. The Foundation's income tax filings are subject to audit by various taxing authorities. In evaluating the Foundation's activities, the Foundation believes its position of current tax-exempt status is current based on current facts and circumstances. The Foundation has further assessed that there are no activities unrelated to the purpose of the Foundation and therefore no tax is to be recognized in the accompanying financial statements as of June 30, 2018 and 2017.

It is the policy of the Foundation to include in operating expenses penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in operating expenses for the years ended June 30, 2018 and 2017.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents and investments in Federation pooled investment funds. The Foundation maintains its cash and cash equivalents with financial institutions. At times, amounts may exceed federally insured limits. Investment securities are exposed to various risks such as interest rate, market volatility and credit, which are more fully discussed in Note 3.

During the years ended June 30, 2018 and 2017, the Foundation received 59% and 54% of total support (operating and non-operating support and revenue), respectively, from Federation. As of June 30, 2018, the Foundation had no other significant concentration of credit risk.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and disclosed in the footnotes. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements not yet Adopted

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Foundation until annual periods beginning after December 15, 2018. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Foundation is currently evaluating the impact of this ASU on its financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14") which improves the presentation of financial statements of not-for-profit entities to provide more useful information to donors, grantors and other users. ASU 2016-14 impacts all not-for-profit entities and addresses key qualitative and quantitative matters regarding net asset classes, investment returns, expenses, liquidity and availability of resources, and presentation of operating cash flows. ASU 2016-14 is effective for reporting periods beginning after December 15, 2017, with early adoption permitted. Entities presenting comparative financial statements must apply the amendments retrospectively, although certain optional practical expedients are available for periods prior to adoption. The Foundation is currently in the process of evaluating the impact of adopting this ASU in its financial statements.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contributions, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"). The objective of ASU 2016-02 is to recognize lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption of ASU 2016-02 is permitted. The Foundation will be evaluating the potential impact of adopting this guidance on their financial statements.

Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through October 25, 2018, which is the date the financial statements were available to be issued, and has determined that there were no subsequent events to recognize or disclose in these financial statements.

2. Building

On October 20, 2014, the Foundation entered into an agreement with CWRU to exchange their land and building for an adjacent land and building. The agreement contemplated the value of the new property as $750,000. During 2015, the Foundation completed the building exchange transaction with CWRU. In conjunction with this planned exchange, CWRU and the Foundation entered into a memo of understanding in November 2014, whereby CWRU agreed to assist in a campaign to raise funds on behalf of the Foundation to support the renovation of the new building. The present value of pledges received in relation to this campaign and cash collected to date have been reflected on the statement of financial position as Assets Held by Others – New Building. The Foundation subsequently entered into an agreement to finance the renovation in order to subsidize the costs incurred during the renovation until all pledges secured by CWRU are collected. (See Note 6.)

In accordance with the terms of the agreement with CWRU, CWRU agreed to provide the Foundation with certain infrastructure and support services in the Albert and Norma Geller Hillel Student Center (Geller Building). Therefore, costs were incurred in conjunction with the construction for which CWRU reimbursed the Foundation.

3. Fair Value Measurements

GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are those that market participants would use in measuring investments at fair value based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in measuring investments at fair value based on the best information available in the circumstances. Investments are measured and disclosed in one of the three levels based on the reliability of inputs:

- Level 1 – Valuations based on quoted market prices in active markets for identical investments as of the reporting date.
- Level 2 – Valuations based on other than quoted market prices in active markets, dealer or broker markets. Fair values are primarily obtained from third party pricing services for similar investments as of the reporting date.
- Level 3 – Valuations derived from other methodologies, including pricing models, discounted cash flow models and similar techniques, and not based on market, dealer, or broker-traded transactions. The determination of fair value requires significant management judgment or estimation.

Level 3 valuations incorporate certain assumptions and projections that are not observable in the market in determining the fair value for investments and assets held by others as of the reporting date. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

The following is a description of the valuation techniques used for investments and assets held by others measured at fair value:

Cash and cash equivalents

Cash equivalents are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Jewish Federation of Cleveland (Federation) Pooled Funds

The Federation Money Fund and Main Investment Fund (MIF) are pooled investment funds managed by the Federation and are not insured.

Money Fund

The Money Fund is comprised primarily of investments in U.S. Treasury and agency securities, federally insured certificates of deposit, bank deposits, government-backed corporate bonds, mortgage-backed securities and Israel bonds and notes. The Federation establishes a payout rate at the beginning of each quarter. During fiscal 2018, the payout ranged from 1.15% - 1.45% and during fiscal 2017, the payout ranged from .80% - 1.10%.

Main Investment Fund

MIF is comprised primarily of fixed income and equity investments. Certain assets that are held in common trust funds are valued based on the net asset value of the units held. The MIF also includes alternative investments, which invest primarily in public and private equities. These investments are valued based on reports provided by investment managers and the Federation has not changed the fair value pricing methodology. MIF private equity investments have a target allocation of 10% of the MIF pool. These investments totaled 2.5% of the MIF portfolio as of June 30, 2018 and 1.7% as of June 30, 2017. Beginning in October 2015, real estate investments were added to the MIF with a 5% target allocation. These investments totaled 3.5% of the MIF portfolio as of June 30, 2018 and

3.4% as of June 30, 2017. The Foundation is credited a pro rata share of investment returns based upon units of ownership interest.

Investments in the pooled investments (Money Fund and MIF) held by the Foundation are invested by the Federation in various investments with a number of investment managers, which use an array of different investment strategies. The Foundation has a unitized ownership interest in these pools and does not have direct ownership of the underlying investments. The fair value of the pooled investments held by the Foundation is based on the number of units held at year end. Investments in the Money Fund and MIF are classified within Level 2 of the fair value hierarchy. While the Federation believes their valuation method is appropriate, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets Held by Others

In accordance with GAAP, the Foundation recognizes its interest in the assets held by others that have underlying investments as Level 3 within the fair value hierarchy. These assets are generally held in the pooled investment funds managed by the Federation.

The following investments are measured at fair value on a recurring basis during the years ended June 30, 2018 and 2017, using unadjusted quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

June 30, 2018	Level 1	Level 2	Level 3	Total
Cash equivalents	**$ 133,383**	**$ -**	**$ -**	**$ 133,383**
Investments				
Federation Money Fund	**-**	**228,030**	**-**	**228,030**
Federation Main Investment Fund	**-**	**292,353**	**-**	**292,353**
Assets held by others – Endowment	**-**	**-**	**194,462**	**194,462**
	$ 133,383	**$ 520,383**	**$ 194,462**	**$ 848,228**

June 30, 2017	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 120,462	$ -	$ -	$ 120,462
Investments				
Federation Money Fund	-	251,633	-	251,633
Federation Main Investment Fund	-	275,797	-	275,797
Assets held by others – Endowment	-	-	191,875	191,875
	$ 120,462	$ 527,430	$191,875	$ 839,767

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2018 and 2017:

		Assets Held By Others – Endowment
Balance - June 30, 2016	$	166,787
Total realized and unrealized losses		24,765
Contributions		721
Investment income		352
Distributions		(750)
Balance - June 30, 2017		191,875
Total realized and unrealized losses		**11,392**
Contributions		**131**
Investment income		**655**
Distributions		**(9,591)**
Balance - June 30, 2018	**$**	**194,462**

The changes in unrealized gains or losses relating to level 3 assets held as of June 30, 2018 and 2017 were $5,427 and $24,321, respectively.

4. Endowments

GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a non-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

The Foundation's endowments consist of three individual funds identified as Assets Held by Others–Endowment and disclosed more fully in Note 1. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors (the Board) of the Foundation believes that absent explicit donor stipulations to the contrary, fiduciary standards require the preservation of the "historic dollar value" of donor-restricted endowment funds. Historic dollar value as to any donor-restricted endowment fund means the aggregate fair value of (a) the original value of gifts donated to such fund, (b) the original value of subsequent gifts to such fund, and (c) accumulations to such fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accordingly, the Foundation classifies the historic dollar value of a donor-restricted endowment fund as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed in Ohio UPMIFA. Notwithstanding the foregoing accounting classifications, unless the gift instrument creating a donor-restricted endowment fund expressly provides otherwise, the Board of the Foundation may, as provided in Ohio UPMIFA, from time to time, appropriate for expenditure such portion of the permanently restricted net assets as the Board of Foundation determines is prudent, after application of the factors set forth below.

In accordance with Ohio UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of the Foundation 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 Foundation
- The investment policies of the Foundation

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value of such fund. In accordance with GAAP, there were no deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2018 and 2017, respectively.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that over time will average the level of the approved Foundation endowment spending rate plus inflation. Actual results in any given year may vary from this desired goal.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation targets a diversified asset allocation in order to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowments of the Foundation are all held at Federation and as such operate under a spending policy consistent with Federation. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of:

June 30, 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	**$ -**	**$ 74,462**	**$ 120,000**	**$ 194,462**

June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 71,785	$ 120,000	$ 191,875

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Change in endowment net assets for the fiscal years ended June 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	$ -	$ 46,787	$ 120,000	$ 166,787
Investment return:				
Investment income	-	352	-	352
Net appreciation (realized and unrealized)	-	24,765	-	24,765
Total investment return	-	25,117	-	25,117
Contributions	-	721	-	721
Appropriation of endowment assets for expenditure	-	(750)	-	(750)
Endowment net assets, June 30, 2017	-	**71,875**	**120,000**	**191,875**
Investment return:				
Investment income	**-**	**655**	**-**	**655**
Net appreciation (realized and unrealized)	**-**	**11,392**	**-**	**11,392**
Total investment return	**-**	**12,047**	**-**	**12,047**
Contributions	**-**	**131**	**-**	**131**
Appropriation of endowment assets for expenditure	**-**	**(9,591)**	**-**	**(9,591)**
Endowment net assets, June 30, 2018	**$ -**	**$ 74,462**	**$ 120,000**	**$ 194,462**

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5. Pledges and Grants Receivable

Restricted pledges and grants receivable represent promises to give that have been made for a particular purpose by donors and/or have not yet been received by the Foundation. Restricted pledges and grants receivable were $20,500 and $39,500 at June 30, 2018 and 2017, respectively. All restricted pledges and grants receivable are expected to be collected in less than one year.

Unrestricted pledges and grants receivable were $32,248 and $19,322 at June 30, 2018 and 2017, respectively. All unrestricted pledges and grants receivable are expected to be collected in less than one year.

6. Debt

Building Loan Payable

On April 8, 2015, the Colorado Education and Cultural Facilities Authority (CECFA) issued up to $3,300,000 tax exempt non-bank qualified loan (National Jewish Federation Bond Program, series U-1) and assigned the rights and obligations of the loan to Key Government Finance, Inc. The loan proceeds funded the construction, working capital and other certain financing costs related to the Foundation's building renovation (see Note 2). The Lender Retention Option occurs on April 1, 2022 and may be extended thereafter. During the year ended June 30, 2017, the loan agreement was amended to reflect the actual final outstanding borrowings of $2,417,446. The loan is amortized over the remaining life of the loan, and will be paid in full on May 1, 2032. The loan is guaranteed by Federation. As of June 30, 2018 and 2017, $1,605,759 and $1,866,167, respectively, was outstanding in relation to this debt.

Principal is due semi-annually in the months of November and May, through May 2032. Interest on the outstanding balance is calculated based on 67% of the 1 month LIBOR Index Floating Rate (as defined) plus a credit spread (equaling 2.30825% and 1.68384% at June 30, 2018 and 2017, respectively) and is payable monthly. Interest expense, including letter of credit fees, bond issuance costs and interest rate cap fees amortization, on all debt facilities of the Foundation was $38,541 and $39,768, for the years ended June 30, 2018 and 2017, respectively.

Building loan payable is shown net of financing fees on the statements of financial position. Financing fees of $101,925 were incurred in conjunction with obtaining this debt facility. Amortization expense was $6,192 and $5,184 for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, net deferred financing fees were $86,256 and $92,448, respectively.

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The aggregate principal maturities of long-term debt, net of unamortized financing fees, as of June 30, 2018 are as follows:

Year ending June 30	Principal Payments
2019	$ 112,626
2020	114,889
2021	117,200
2022	119,556
2023	121,958
Thereafter	1,019,530
Total	1,605,759
Less deferred financing fees	(86,256)
	$ 1,519,503

Loan Payable

The Foundation had an unsecured, interest-free loan from Federation used to pay certain operating and capital costs. The remaining balance outstanding at June 30, 2017, $373, was paid in full during the fiscal year ended June 30, 2018.

7. Net Assets

Temporarily restricted net assets are available for the following purposes:

June 30,	**2018**	2017
Building renovations and operations	**$ 1,327,997**	$ 1,652,312
Summer internship	**73,966**	75,112
Community service, scholarships and cultural programming	**114,958**	108,068
Time restricted contributions	**-**	4,000
Support for the arts	**77,319**	77,156
JCLE	**10,001**	10,607
Israel	**749**	5,894
Social justice	**17,824**	18,197
General program	**39,893**	32,385
Total	**$ 1,662,707**	$ 1,983,731

Net assets were released from donor restrictions by incurring costs satisfying the restricted purposes as follows for operating and non-operating activities:

Years Ended June 30,	**2018**	2017
Released for operating activities:		
Summer internship	**$ 79,661**	$ 96,112
JCLE	**606**	6,536
General program	**15,739**	23,219
Support for the arts	**11,265**	-
Israel	**10,646**	17,104
Passage of time	**4,000**	2,000
Equipment	**-**	5,954
Social justice	**273**	280
Total released for operating activities	**122,190**	151,205
Released for non-operating activities:		
Building renovations and operations	**373,886**	653,207
Total released from restrictions operating and non-operating activities	**$ 496,076**	$ 804,412

Permanently restricted net assets, of which the principal amount is invested in perpetuity, are available to support the following purposes as of June 30:

June 30,	**2018**	2017
Support of the arts	**$ 100,000**	$ 100,000
Shabbat dinner	**10,000**	10,000
Periodic guest lecture	**10,000**	10,000
Total permanently restricted net assets	**$ 120,000**	$ 120,000

8. Pension Plan

All eligible staff of the Foundation who met the eligibility requirements on or before January 1, 2009, were included in The Jewish Federation of Cleveland Employees' Retirement Plan (the Plan), a multi-employer defined benefit church plan that was either contributory or non-contributory, based on the date of enrollment and election of the employee. In April 2009, the Federation Board of Trustees took action to freeze future participation and accruals in the Plan by September 30, 2009. Participating Employers were given a choice of freezing participation for employees on June 30 or September 30, 2009. The Foundation elected to freeze participation for its employees on June 30, 2009.

The Plan is administered by Federation. Required contributions to the Plan are allocated among Federation and its agencies, including the Foundation, as calculated by an actuary. The allocation is based principally on actuarial accrued liabilities which reflect the specific demographics of each participating employer in the Plan. The Foundation's policy is to fund its share of these allocated contributions annually. For the years ended June 30, 2018 and 2017, the Foundation has recorded on its statement of activities pension plan expense of $9,524 in each of the years. These amounts represent contributions made by the Foundation on behalf of its participants.

Benefits paid to participants and beneficiaries who were employed at the Foundation were $98,934 in 2018 and 2017.

Accrued Pension

The Plan is currently underfunded. Since the 2010/2011 fiscal year, the policy regarding future annual contributions to the Plan has required that participating agencies, in total, increase their contributions to the Plan by 4.75% each year for 12 years. This increase is reviewed annually. The contributions for the Plan year 2018/19 will increase by 5%.

As calculated by an actuary, as of June 30, 2018 and 2017, the Foundation's share of the Plan's unfunded liability was $573,685 and $606,852, respectively and is reported on the statements of financial position as an accrued pension liability. The Foundation has recorded on its statements of activities decreases of $33,167 and of $27,945 in pension liability which represent the change in the Foundation's share of the Plan's unfunded liability for the years ended June 30, 2018 and 2017, respectively.

Defined Contribution Plan

As of July 1, 2009, the Foundation began participation in the Jewish Federation of Cleveland 403(b) Retirement Plan (the 403(b) plan). Under this program, employees may defer portions of their salary, and the Foundation may make discretionary non-elective or matching contributions on behalf of its employees. Contributions to the 403(b) plan by the Foundation were $3,381 and $4,167 for the years ended June 30, 2018 and 2017, respectively.

9. Lease Commitments

The Foundation leases office equipment, a car and an apartment under operating lease agreements that run through 2024. Rent expense was $22,337 and $9,233 for the years ended June 30, 2018 and 2017, respectively.

The total future minimum lease payments due under non-cancellable lease terms for years ending June 30 are as follows:

Year ending June 30,		
2019	$	24,053
2020		4,872
2021		4,872
2022		4,872
2023		4,872
Thereafter		1,603
Total	$	45,144

10. Rental Income

Beginning in January 2016, the Foundation leases classroom space to CWRU in the newly opened Albert and Norma Geller Hillel Student Center at CWRU under the Provision for Joint Use Agreement between CWRU and the Foundation. Rental income under this agreement was $40,857 for each of the years ended June 30, 2018 and 2017.