

Cleveland Hillel Foundation, Incorporated

Financial Statements
June 30, 2022 and 2021

Cohen & Co

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CLEVELAND HILLEL FOUNDATION, INCORPORATED

JUNE 30, 2022 AND 2021

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Independent Auditors' Report

Board of Directors
Cleveland Hillel Foundation, Incorporated

Opinion

We have audited the accompanying financial statements of Cleveland Hillel Foundation, Incorporated, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Financial Statements section of our report. We are required to be independent of Cleveland Hillel Foundation, Incorporated 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 audit opinion.

Prior Period Financial Statements

The financial statements of Cleveland Hillel Foundation, Incorporated as of June 30, 2021, were audited by other auditors whose report dated November 11, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cleveland Hillel Foundation, Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements.

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 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 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 Cleveland Hillel Foundation, Incorporated's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cleveland Hillel Foundation, Incorporated's 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.

Cohen & Company Ltd.

Akron, Ohio
October 19, 2022

STATEMENT OF FINANCIAL POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 430,026	\$ 447,249
Restricted cash for building	3,814	3,813
Investments	250,863	294,478
Receivables - Net		
Pledges and grants, without donor restrictions	19,640	17,598
Pledges and grants, with donor restrictions	26,000	15,500
Other	15,172	5,421
	745,515	784,059
PROPERTY AND EQUIPMENT - AT COST		
Land	246,500	246,500
Buildings and improvements	4,147,910	4,147,910
Furniture and equipment	197,201	197,201
	4,591,611	4,591,611
Less: Accumulated depreciation	(880,605)	(773,274)
	3,711,006	3,818,337
OTHER ASSETS		
Assets held by others - Endowment	214,006	252,863
Assets held by others - New Building	47,196	77,882
Other assets	9,468	14,127
	270,670	344,872
	\$ 4,727,191	\$ 4,947,268
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 40,037	\$ 37,388
Paycheck Protection Program loan		102,830
Deferred deposits	2,200	2,200
Maccabee Task Force refundable advance	24,043	117,391
Accrued pension liability	673,502	697,411
	739,782	957,220
COMMITMENT AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	3,423,427	3,348,988
With donor restrictions	563,982	641,060
	3,987,409	3,990,048
	\$ 4,727,191	\$ 4,947,268

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Jewish Federation of Cleveland	\$ 649,113		\$ 649,113
Grants and contributions	114,913	\$ 108,343	223,256
Grants from Maccabee Task Force Foundation		108,057	108,057
Grants from Hillel International	88,225		88,225
Program service fees	4,964		4,964
Rental income	77,274		77,274
Investment return - net	(21,258)	(22,021)	(43,279)
Net change in assets held by others - Endowment		(38,091)	(38,091)
Other - net	1,861		1,861
Net assets released from restrictions - Operating	<u>202,680</u>	<u>(202,680)</u>	
Total revenue and support	<u>1,117,772</u>	<u>(46,392)</u>	<u>1,071,380</u>
EXPENSES			
Program services	872,711		872,711
Management and general	243,572		243,572
Fundraising	86,489		86,489
Total expenses	<u>1,202,772</u>		<u>1,202,772</u>
CHANGE IN NET ASSETS - OPERATING	(85,000)	(46,392)	(131,392)
NON-OPERATING ACTIVITIES:			
Forgiveness of Paycheck Protection Program loan	102,830		102,830
Change in unfunded pension liability	23,909		23,909
Change in assets held by others - New Building		2,014	2,014
Net assets released from restrictions - New Building	<u>32,700</u>	<u>(32,700)</u>	
CHANGE IN NET ASSETS	74,439	(77,078)	(2,639)
NET ASSETS - BEGINNING OF YEAR	<u>3,348,988</u>	<u>641,060</u>	<u>3,990,048</u>
NET ASSETS - END OF YEAR	<u>\$ 3,423,427</u>	<u>\$ 563,982</u>	<u>\$ 3,987,409</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Jewish Federation of Cleveland	\$ 648,952		\$ 648,952
Jewish Federation of Cleveland - LEV special grant	55,737		55,737
Grants and contributions	91,552	\$ 91,500	183,052
Grants from Maccabee Task Force Foundation		25,409	25,409
Grants from Hillel International	83,632		83,632
Program service fees	2,266		2,266
Rental income	40,857		40,857
Investment return - net	34,536	37,809	72,345
Net change in assets held by others - Endowment		59,860	59,860
Other - net	7,815		7,815
Net assets released from restrictions - Operating	123,355	(123,355)	
Total revenue and support	<u>1,088,702</u>	<u>91,223</u>	<u>1,179,925</u>
EXPENSES			
Program services	803,601		803,601
Management and general	250,603		250,603
Fundraising	68,620		68,620
Total expenses	<u>1,122,824</u>		<u>1,122,824</u>
CHANGE IN NET ASSETS - OPERATING	(34,122)	91,223	57,101
NON-OPERATING ACTIVITIES:			
Forgiveness of Paycheck Protection Program loan	106,100		106,100
Change in unfunded pension liability	169,270		169,270
Interest expense	(77,090)		(77,090)
Change in assets held by others - New Building		1,994	1,994
Net assets released from restrictions - New Building	349,651	(349,651)	
CHANGE IN NET ASSETS	513,809	(256,434)	257,375
NET ASSETS - BEGINNING OF YEAR	<u>2,835,179</u>	<u>897,494</u>	<u>3,732,673</u>
NET ASSETS - END OF YEAR	<u>\$ 3,348,988</u>	<u>\$ 641,060</u>	<u>\$ 3,990,048</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	SUPPORTING SERVICES			Total Expenses
	Program services	Management and General	Fundraising	
Salaries and wages	\$ 397,446	\$ 144,532	\$ 51,330	\$ 593,308
Employee benefits	105,376	25,914	9,563	140,853
Supplies	85,718	3,809	5,715	95,242
Maccabee Task Force activities	96,557			96,557
Occupancy	53,505	14,268	3,567	71,340
Professional services	8,751	24,865	1,511	35,127
Israel fellow	21,852			21,852
Grants for summer internship program	3,000			3,000
Advertising	3,705	18	1,220	4,943
Conferences	3,535	1,569	377	5,481
Printing	1,666	500	5,251	7,417
Office equipment	3,654	1,218		4,872
Transportation	1,743	212	36	1,991
Service charges		4,074		4,074
Telephone	2,022	506		2,528
Website and information technology	896	78		974
Postage	173	218	2,552	2,943
Miscellaneous		325		325
Subscriptions and publications	2,614			2,614
	<u>792,213</u>	<u>222,106</u>	<u>81,122</u>	<u>1,095,441</u>
Depreciation	<u>80,498</u>	<u>21,466</u>	<u>5,367</u>	<u>107,331</u>
	<u>\$ 872,711</u>	<u>\$ 243,572</u>	<u>\$ 86,489</u>	<u>\$ 1,202,772</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	SUPPORTING SERVICES			Total Expenses
	Program Services	Management and General	Fundraising	
Salaries and wages	\$ 397,636	\$ 136,938	\$ 39,217	\$ 573,791
Employee benefits	100,453	23,989	7,694	132,136
Supplies	41,279	1,835	2,752	45,866
Maccabee Task Force activities	12,909			12,909
Occupancy	47,676	12,714	3,178	63,568
LEV Program student stipends	50,500			50,500
Professional services	3,010	28,715	376	32,101
Israel fellow	31,048			31,048
Grants for summer internship program	6,000			6,000
Advertising	3,740			3,740
Conferences	2,433	1,201	438	4,072
Printing	739		5,729	6,468
Office equipment	3,640	1,213		4,853
Transportation	42	176	120	338
Service charges		3,244		3,244
Telephone	2,166	542		2,708
Staff recruitment		11,980		11,980
Bad debt expense		178		178
Website and information technology	849	74		923
Postage	602	212	2,543	3,357
Miscellaneous		1,300		1,300
Subscriptions and publications	284			284
	<u>705,006</u>	<u>224,311</u>	<u>62,047</u>	<u>991,364</u>
Depreciation	<u>98,595</u>	<u>26,292</u>	<u>6,573</u>	<u>131,460</u>
	<u>\$ 803,601</u>	<u>\$ 250,603</u>	<u>\$ 68,620</u>	<u>\$ 1,122,824</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOW (USED IN) PROVIDED FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,639)	\$ 257,375
Noncash items included in operations:		
Depreciation	107,331	131,460
Amortization of loan fees		68,626
Loss due to uncollectible pledges and bad debts		178
Realized and unrealized loss (gain) on investments - Net	44,958	(70,255)
Change in assets held by others - Net	36,843	(61,104)
Change in accrued pension liability	(23,909)	(169,270)
Forgiveness of Paycheck Protection Program loans	(102,830)	(106,100)
Increase (decrease) in cash and cash equivalents and restricted cash caused by changes in current items:		
Receivables - Net	(22,293)	10,478
Other assets	4,659	3,716
Accounts payable and accrued expenses	2,649	80,036
Maccabee Task Force refundable advance	(93,348)	(1,065)
Net cash (used in) provided from operations	<u>(48,579)</u>	<u>144,075</u>
CASH FLOW PROVIDED FROM INVESTING ACTIVITIES		
Distribution from assets held by others - New Building	32,700	253,000
Refund of property taxes paid		7,058
Proceeds from sale of investments		105,631
Purchases of investments	(1,343)	
	<u>31,357</u>	<u>365,689</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayments of building loan payable		(668,244)
Proceeds from second Paycheck Protection Program loan		102,830
		<u>(565,414)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(17,222)	(55,650)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	<u>451,062</u>	<u>506,712</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 433,840</u>	<u>\$ 451,062</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$</u>	<u>\$ 5,149</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

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 the JCLE project, year-round programming for Cleveland based young professionals. The Foundation receives an allocation from the annual campaign of Jewish Federation of Cleveland (the Federation) and follows certain guidelines established by the Federation.

COVID-19 Impact

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Foundation and its financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which it operates and the related impact on donors and consumer confidence and spending, all of which are highly uncertain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation's financial statements have been prepared as recommended by the American Institute of Certified Public Accountants' (AICPA) Audit and the 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 two classes of net assets: assets with donor restrictions and assets without donor restrictions.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets*, to improve the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU is applicable for the Foundation's fiscal year 2022. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques.

Cash and Cash Equivalents and Restricted Cash

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. Restricted cash represents the amount of cash on hand received from CWRU for donations to the campaign for the Foundation's building. Funds are used for building improvements and fees.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the statements of financial position to the statements of cash flows as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 430,026	\$ 447,249
Restricted cash for building	<u>3,814</u>	<u>3,813</u>
	<u>\$ 433,840</u>	<u>\$ 451,062</u>

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. No allowance is recorded for pledges and grants receivable at June 30, 2022 and 2021.

Property and Equipment

Depreciation of property and equipment is provided by use of the straight-line method over the estimated useful lives of the assets. Donated property is recorded at the estimated fair value of the asset at the time of donation. Assets greater than \$2,500 are capitalized. Expenditures for minor equipment, maintenance, and repairs are charged to expense as incurred. Estimated useful lives are as follows:

Buildings and improvements	5 - 40 years
Furniture and equipment	5 years

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (continued)

During the years ended June 30, 2022 and 2021, depreciation expense was approximately \$107,000 and \$131,000, respectively.

Impairment of Long-Lived Assets

The Foundation reviews its property and equipment for impairment whenever events or changes indicate that its carrying value of the long-lived assets may not be recoverable. In cases where the Foundation does not expect to recover its carrying costs, an impairment charge is recorded in accordance with accounting guidance on the impairment of long-lived assets. The Foundation did not record any impairment of property and equipment during 2022 and 2021.

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 donor restricted gifts are deemed to follow the restriction on the original gift. Gains and losses on investments are included in the statements of activities.

Assets Held by Others - Endowment

The Foundation is a beneficiary of three funds held by the 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 assets with donor restrictions (see Note 9).

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 4). Changes to these funds have been reflected as non-operating support on the statements of activities. At June 30, 2022 and 2021, these funds consist of the discounted present value of pledge commitments received by CWRU and cash collected by CWRU on pledge commitments.

Revenue Recognition

The Foundation's revenues from exchange transactions primarily result from program fees, catering fees, and other miscellaneous sources. The Foundation recognizes revenue when it satisfies its performance obligation under the contract by providing programming or as the customer obtains control of the product or service. Revenues from exchange transactions are considered to have a single performance obligation that is met at a point in time. Revenues from exchange transactions during the years ended June 30, 2022 and 2021, amounted to \$77,274 and \$40,857, respectively.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

The Foundation reports gifts of cash and other assets as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Endowment contributions and related investments are restricted by the donor and recorded in net assets with donor restrictions. Investment earnings are recorded in net assets with donor restrictions and are released from restrictions when those amounts are appropriated for expenditure by the Foundation.

The Foundation reports gifts of land, buildings, and equipment at fair value at the date of donation as increases in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

During the years ended June 30, 2022 and 2021, conditional promises to give consist of grants conditioned upon certain performance requirements or the incurrence of allowable qualified expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. At June 30, 2022 and 2021, the Foundation has one cost-reimbursable grant that has not been fully recognized because qualifying expenditures have not yet been incurred, and advance payments of \$24,043 and \$117,391 are recorded in the statement of financial position as a refundable advance. Grantors may, at their discretion, request reimbursement for unallowed expenses as a result of noncompliance by the Foundation with the terms of the grant. On certain grants, if advances exceed eligible costs, the funds must be returned to the grantor. No funds were required to be returned during 2022 or 2021.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2022 or 2021.

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, 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.

Forgivable Loans

Absent specific guidance in GAAP, the Foundation accounts for forgivable loans as debt in accordance with Accounting Standards Codification (ASC) 470, *Debt*, and accrues interest in accordance with the interest method under ASC 835-30, *Imputation of Interest*. Accordingly, proceeds from such loans are recorded as a liability until either the loan is, in part or wholly forgiven, and the debt has been legally released or the loan is paid off. In addition, the Foundation has elected to classify the portion of the loan that is to be forgiven as current debt and the remainder, if any, as long-term.

Functional Expense Allocation

The statement of functional expenses presents expenses by function and classification. Expenses specifically attributable to a specific functional are reported as expenses of that functional area. All items that benefit multiple functional areas (indirect costs) have been allocated based on pro-rata basis of actual salaries to total salaries. Building related costs are allocated based on share of the building used (square footage).

Advertising

Advertising costs are expensed as incurred. Advertising expenses was \$4,943 and \$3,740 for the years ended June 30, 2022 and 2021, respectively.

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).

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (continued)

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 tax-exempt status is current based on current facts and circumstances. The Foundation has further assessed that there are no material activities unrelated to the purpose of the Foundation and, therefore, no material tax is to be recognized in the accompanying financial statements as of June 30, 2022 and 2021.

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, 2022 and 2021.

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.

During the years ended June 30, 2022 and 2021, the Foundation received 55% and 50% of total support (operating and non-operating support and revenue), respectively, from the Federation.

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, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be material.

Subsequent Events

The Foundation has evaluated subsequent events through October 19, 2022, which is the date the financial statements were available to be issued.

NOTES TO THE FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the endowment. The Foundation's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 244,124	\$ 183,814
Cash equivalents	185,902	263,435
Receivables:		
Pledges and grants, without donor restrictions	<u>19,640</u>	<u>17,598</u>
Financial assets available to meet cash needs for general expenditures within one-year	<u>\$ 449,666</u>	<u>\$ 464,847</u>

The Foundation manages its liquid resources by focusing on investing excess cash, typically cash received with donor restrictions, in a money market account. The Foundation receives a substantial portion of its support from the Federation on a monthly basis so that operating cash needs are met in a timely manner.

4. BUILDING AND BUILDING LOAN PAYABLE

In October 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, net of draws, 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. The loan was guaranteed by the Federation and paid in full on June 30, 2021. Interest on the outstanding balance was calculated based on 67% of the 1-month LIBOR Index Floating Rate (as defined), plus a credit spread equaling 1.04% at June 30, 2021, and was payable monthly. Interest expense, including other fees, was \$77,090 for the year ended June 30, 2021. In addition, amortization of financing fees, included in interest expense, was \$68,626 for the year ended June 30, 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS

5. 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 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 Pooled Funds

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

NOTES TO THE FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENTS (Continued)

Money Fund

The Money Fund is comprised primarily of investments in U.S. Treasuries, federally insured certificates of deposit, bank deposits, government-backed mortgage-backed securities and Israel bonds. The Federation establishes a payout rate at the beginning of each quarter. During fiscal 2022, the payout ranged from 0.45% - 0.80%, and during fiscal 2021, the payout ranged from 0.38% - 0.50%.

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 or real estate. 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 9.2% of the MIF portfolio as of June 30, 2022, and 5.7% as of June 30, 2021. Real estate investments have a 5% target allocation. These investments totaled 4.7% of the MIF portfolio as of June 30, 2022, and 3.3% as of June 30, 2021. The Foundation is credited a pro rata share of investment returns based upon units of ownership interest.

Marketable Alternatives Program

The MAP is a portfolio of investments that are relatively uncorrelated to the U.S. equities market and are generally in the form of limited partnerships and offshore corporations. The investments are valued at fair value from reports provided by investment managers and the Federation has not changed the fair value pricing methodology. Because of the inherent uncertainty of the valuations, the fair values may differ significantly from values that would have been used had a ready market for these investments existed, and the difference could be material. The Foundation is credited a pro rata share of investment returns based upon units of ownership interest.

Investments in the pooled investments (Money Fund, MIF and MAP) 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. Investments in MAP are classified within Level 3 as they have significant unobservable inputs, are not traded in an active market, are subject to liquidity restrictions, generally requiring ninety-five days' notice prior to the end of a calendar quarter, and are non-transferable. 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.

NOTES TO THE FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENTS (Continued)

Assets Held by Others - Endowment

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, 2022 and 2021, 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, 2022			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 185,902			\$ 185,902
Investments				
Federation Money Fund		\$ 9,868		9,868
Federation Main Investment Fund		214,635		214,635
Federation Marketable Alternatives Fund			\$ 26,360	26,360
Assets held by others - Endowments			214,006	214,006
	<u>\$ 185,902</u>	<u>\$ 224,503</u>	<u>\$ 240,366</u>	<u>\$ 650,771</u>
	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 263,435			\$ 263,435
Investments				
Federation Money Fund		\$ 8,553		8,553
Federation Main Investment Fund		253,952		253,952
Federation Marketable Alternatives Fund			\$ 31,973	31,973
Assets held by others - Endowments			252,863	252,863
	<u>\$ 263,435</u>	<u>\$ 262,505</u>	<u>\$ 284,836</u>	<u>\$ 810,776</u>

There were no purchases of Level 3 investments during the years ended June 30, 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

6. 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 2. 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. 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 net assets with donor restrictions 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 as of June 30, 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

6. ENDOWMENTS (Continued)

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 funds with donor restrictions that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, 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 the Federation and as such operate under a spending policy consistent with the 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:

	<u>June 30, 2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ <u> </u>	\$ <u> 214,006</u>	\$ <u> 214,006</u>
	<u>June 30, 2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ <u> </u>	\$ <u> 252,863</u>	\$ <u> 252,863</u>

NOTES TO THE FINANCIAL STATEMENTS

6. ENDOWMENTS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

Change in endowment net assets for the fiscal years ended June 30, 2022 and 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets			
- June 30, 2020		\$ 193,753	\$ 193,753
Investment return:			
Investment loss		(120)	(120)
Net realized and unrealized gains		59,980	59,980
Total investment return		59,860	59,860
Contribution			
Appropriation of endowment assets for expenditure		(750)	(750)
Endowment net assets			
- June 30, 2021		252,863	252,863
Investment return:			
Investment loss		(321)	(321)
Net realized and unrealized losses		(37,770)	(37,770)
Total investment return		(38,091)	(38,091)
Contribution			
Appropriation of endowment assets for expenditure		(766)	(766)
Endowment net assets			
- June 30, 2022	<u>\$</u>	<u>\$ 214,006</u>	<u>\$ 214,006</u>

7. PLEDGES AND GRANTS RECEIVABLE, WITH DONOR RESTRICTIONS

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 \$26,000 and \$15,500 at June 30, 2022 and 2021, respectively. All restricted pledges and grants receivable are expected to be collected in less than one year.

Unrestricted pledges and grants receivable were \$19,640 and \$17,598 at June 30, 2022 and 2021, respectively. All unrestricted pledges and grants receivable are expected to be collected in less than one year.

NOTES TO THE FINANCIAL STATEMENTS

8. PAYCHECK PROTECTION PROGRAM LOANS

On April 19, 2020, the Foundation received funds under the Paycheck Protection Program (PPP) in the amount of \$106,100 (the PPP Loan). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The PPP Loan had an interest rate of 1.0% and was scheduled to mature on April 17, 2022, with principal and interest payments deferred for ten months and interest accruing from the date of the loan. The Foundation filed its loan forgiveness application and received formal approval from both the financial institution through which it applied and received the loan proceeds and the Small Business Association (SBA) during the year ended June 30, 2021. Accordingly, a gain on forgiveness of the PPP Loan in the amount of \$106,100 has been recorded in the 2021 statement of activities as a component of non-operating activities.

On April 5, 2021, the Foundation received a second draw of PPP loan proceeds in the amount of \$102,830 (the PPP2 Loan). The PPP2 Loan had an interest rate of 1.0% and was scheduled to mature on April 5, 2023, with principal and interest payments deferred for six months and interest accruing from the date of the loan. The Foundation filed its loan forgiveness application and received formal approval from both the financial institution through which it applied and received the loan proceeds and the SBA during the year ended June 30, 2022. Accordingly, a gain on forgiveness of the PPP2 Loan in the amount of \$102,830 has been recorded in the 2022 statement of activities as a component of non-operating activities.

9. NET ASSETS

Net assets with donor restrictions at June 30, are restricted for the following purpose:

	<u>2022</u>	<u>2021</u>
Purpose and time restricted:		
Building renovations and operations	\$ 51,115	\$ 81,800
Summer internship	114,840	96,549
Community service, scholarships and cultural programming	131,424	153,760
Support for the arts	2,857	2,857
JCLE	7,108	9,341
Israel	581	
Social justice	12,849	12,849
General program	<u>29,202</u>	<u>31,041</u>
Subtotal	349,976	388,197

NOTES TO THE FINANCIAL STATEMENTS

9. NET ASSETS (Continued)

Investment in Perpetuity:

Subject to the Organization's endowment spending - policy and appropriation:

Community service, scholarships and cultural programming	\$ 143,980	\$ 169,657
Support for the arts	52,657	62,054
General program	<u>17,369</u>	<u>21,152</u>
Subtotal	<u>214,006</u>	<u>252,863</u>
Total net assets with donor restrictions	<u>\$ 563,982</u>	<u>\$ 641,060</u>

Net assets were released for donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Purpose and time restrictions accomplished:		
Released for operating activities:		
Maccabee Task Force Foundation	\$ 107,476	\$ 25,409
Summer internship	75,209	66,973
JCLE	2,233	
General program	17,762	24,923
Administration		<u>6,050</u>
Total restrictions released:	<u>202,680</u>	<u>123,355</u>
Released for non-operating activities:		
Building renovations and operations	<u>32,700</u>	<u>349,651</u>
Total released from restrictions operating and non-operating activities	<u>\$ 235,380</u>	<u>\$ 473,006</u>

10. 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.

NOTES TO THE FINANCIAL STATEMENTS

10. PENSION PLAN (Continued)

The Plan is administered by the Federation. Required contributions to the Plan are allocated among the 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, 2022 and 2021, the Foundation has recorded on its statement of activities, pension plan expense of \$25,016 in 2022 and of \$11,211 in 2021. These amounts represent contributions made by the Foundation on behalf of its participants and to pay for other expenses of the Plan.

Benefits paid to participants and beneficiaries who were employed at the Foundation were \$98,934 in 2022 and 2021.

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 increased by 5% for Plan year 2018/2019 and 6.5% for the Plan years 2019/2020 and 2020/2021. Contributions were held flat for Plan year 2021/2022 and 2022/2023.

As calculated by an actuary, as of June 30, 2022 and 2021, the Foundation's share of the Plan's unfunded liability was \$673,502 and \$697,411, 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 \$23,909 and \$169,270 in 2022 and 2021 in pension liability, which represent the change in the Foundation's share of the Plan's unfunded liability for the years ended June 30, 2022 and 2021, 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 \$19,203 and \$20,427 for the years ended June 30, 2022 and 2021, respectively.

NOTES TO THE FINANCIAL STATEMENTS

11. COMMITMENTS AND CONTINGENCIES

Leases

The Foundation leases office equipment, a car, and an apartment under operating lease agreements that run through 2024. Rent expense was \$22,445 and \$17,931 for the years ended June 30, 2022 and 2021, respectively.

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

<u>Year ending June 30,</u>	
2023	\$ 4,872
2024	<u>1,603</u>
	<u>\$ 6,475</u>

Laws and Regulations

Laws and regulations governing the Foundation's programs are complex and subject to interpretation. Potential noncompliance with laws and regulations can be subject to future government review and interpretation as well as regulatory action. The Foundation believes it is in compliance with all applicable laws and regulations and believes there are no material contingencies related to laws and regulations governing its programs.

12. RENTAL INCOME

Beginning in January 2016, the Foundation leases classroom space to CWRU in the 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, 2022 and 2021. The Foundation also receives a reimbursement of utilities and common area expenses from a kosher kitchen operator, which are included in rental income on the accompanying statement of activities. During the year ended June 30, 2022, the Foundation received \$36,417 from the kosher kitchen operator. No reimbursements were received during the year ended June 30, 2021.