



Cleveland Hillel Foundation, Incorporated

Financial Statements
Years Ended June 30, 2020 and 2019

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO
International Limited, a UK company limited by guarantee.



Cleveland Hillel Foundation, Incorporated

Financial Statements
Years Ended June 30, 2020 and 2019

Cleveland Hillel Foundation, Incorporated

Contents

| | |
|-----------------------------------|-------|
| Independent Auditor's Report | 3-4 |
| Financial Statements | |
| Statements of Financial Position | 6-7 |
| Statements of Activities | 8 |
| Statements of Functional Expenses | 9 |
| Statements of Cash Flows | 10 |
| Notes to Financial Statements | 11-27 |



Independent Auditor's Report

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, 2020 and 2019, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland Hillel Foundation, Incorporated as of June 30, 2020 and 2019, 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
November 5, 2020

Financial Statements

Cleveland Hillel Foundation, Incorporated

Statements of Financial Position

| <i>June 30,</i> | 2020 | 2019 |
|--|---------------------|---------------------|
| Assets | | |
| Cash | \$ 228,374 | \$ 130,184 |
| Restricted cash for building | 92,849 | 85,697 |
| Cash equivalents | 185,489 | 183,816 |
| Investments | 329,854 | 330,187 |
| Receivables, net | | |
| Pledges and grants, without donor restrictions | 12,038 | 48,770 |
| Pledges and grants, with donor restrictions | 19,038 | 25,100 |
| Other | 25,157 | 101,463 |
| Assets held by others - Endowment | 193,753 | 198,231 |
| Assets held by others - New Building | 328,888 | 731,733 |
| Other assets | 17,843 | 12,762 |
| Property | | |
| Land | 246,500 | 246,500 |
| Buildings and improvements | 4,147,910 | 4,147,910 |
| Furniture and equipment | 197,201 | 204,445 |
| | 4,591,611 | 4,598,855 |
| Less accumulated depreciation | (641,814) | (512,205) |
| Total Property | 3,949,797 | 4,086,650 |
| Total Assets | \$ 5,383,080 | \$ 5,934,593 |

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Financial Position

| <i>June 30,</i> | 2020 | 2019 |
|---|---------------------|---------------------|
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 38,453 | \$ 61,708 |
| PPP loan payable | 106,100 | - |
| Building loan payable, net | 599,618 | 1,063,069 |
| Deferred deposits | 2,200 | 2,200 |
| Maccabee Task Force refundable advance | 37,355 | - |
| Accrued pension liability | 866,681 | 701,442 |
| Total Liabilities | 1,650,407 | 1,828,419 |
| Net Assets | | |
| Without donor restrictions | 2,835,179 | 2,765,694 |
| With donor restrictions | 897,494 | 1,340,480 |
| Total Net Assets | 3,732,673 | 4,106,174 |
| Total Liabilities and Net Assets | \$ 5,383,080 | \$ 5,934,593 |

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Activities

| Years Ended June 30, | 2020 | | | 2019 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating Activities: | | | | | | |
| Support and Revenue: | | | | | | |
| Jewish Federation of Cleveland allocation | \$ 648,845 | \$ - | \$ 648,845 | \$ 643,722 | \$ - | \$ 643,722 |
| Contributions and other grants - current year | 125,509 | 83,206 | 208,715 | 141,135 | 124,698 | 265,833 |
| Grants from Maccabee Task Force Foundation | - | 83,516 | 83,516 | - | 137,600 | 137,600 |
| Grants from Hillel International | 46,631 | - | 46,631 | 11,666 | - | 11,666 |
| Program service fees | 5,619 | - | 5,619 | 10,318 | - | 10,318 |
| Rental income | 49,857 | - | 49,857 | 55,682 | - | 55,682 |
| Interest and dividend income | 2,795 | 3,575 | 6,370 | 3,075 | 6,949 | 10,024 |
| Net realized and unrealized (loss) gain on investments | (1,352) | (2,091) | (3,443) | 3,580 | 1,806 | 5,386 |
| Net change in assets held by others - Endowment | - | (3,746) | (3,746) | - | 4,411 | 4,411 |
| Miscellaneous income | 1,521 | - | 1,521 | 580 | - | 580 |
| Net assets released from restrictions - operating | 211,599 | (211,599) | - | 212,747 | (212,747) | - |
| | 1,091,024 | (47,139) | 1,043,885 | 1,082,505 | 62,717 | 1,145,222 |
| Expenses: | | | | | | |
| Program services | 906,199 | - | - | 919,398 | - | 919,398 |
| Management and general services | 239,947 | - | - | 240,511 | - | 240,511 |
| Fundraising | 84,050 | - | - | 64,634 | - | 64,634 |
| | 1,230,196 | - | 1,230,196 | 1,224,543 | - | 1,224,543 |
| Operating Activities: Support and Revenue (Under) Over Expenses | (139,172) | (47,139) | (186,311) | (142,038) | 62,717 | (79,321) |
| Non-Operating Activities: | | | | | | |
| Change in value, assets held by others - New Building | - | 11,155 | 11,155 | - | 19,344 | 19,344 |
| Interest expense | (33,106) | - | (33,106) | (45,055) | - | (45,055) |
| Change in unfunded pension liability | (165,239) | - | (165,239) | (127,757) | - | (127,757) |
| Net assets released from restrictions - non-operating | 407,002 | (407,002) | - | 524,288 | (524,288) | - |
| Change In Net Assets | 69,485 | (442,986) | (373,501) | 209,438 | (442,227) | (232,789) |
| Net Assets, Beginning of Year | 2,765,694 | 1,340,480 | 4,106,174 | 2,556,256 | 1,782,707 | 4,338,963 |
| Net Assets, End of Year | \$ 2,835,179 | \$ 897,494 | \$ 3,732,673 | \$ 2,765,694 | \$ 1,340,480 | \$ 4,106,174 |

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Functional Expenses

| <i>Years Ended June 30,</i> | 2020 | | | | 2019 | | | |
|---|---------------------|---------------------------------------|------------------|---------------------|---------------------|---------------------------------------|------------------|---------------------|
| | Program Services | Management and General Services | Fundraising | Total | Program Services | Management and General Services | Fundraising | Total |
| Salaries and wages | \$ 395,449 | \$ 135,695 | \$ 48,094 | \$ 579,238 | \$ 406,121 | \$ 135,316 | \$ 34,970 | \$ 576,407 |
| Depreciation | 108,772 | 29,006 | 7,251 | 145,029 | 108,772 | 29,006 | 7,251 | 145,029 |
| Employee benefits | 102,210 | 21,794 | 8,175 | 132,179 | 102,040 | 22,336 | 6,075 | 130,451 |
| Supplies | 70,907 | 3,151 | 4,727 | 78,786 | 80,964 | 3,598 | 5,398 | 89,960 |
| Maccabee Task Force activities | 94,644 | - | - | 94,644 | 102,471 | - | - | 102,471 |
| Occupancy | 52,361 | 13,963 | 3,491 | 69,814 | 47,297 | 12,613 | 3,153 | 63,063 |
| Professional services | 6,714 | 25,422 | 2,603 | 34,739 | 8,813 | 21,235 | 3,353 | 33,401 |
| Israel Fellow | 33,622 | - | - | 33,622 | 29,739 | - | - | 29,739 |
| Grants for summer internship program | 6,000 | - | - | 6,000 | 10,000 | - | - | 10,000 |
| Advertising | 3,855 | - | - | 3,855 | 3,528 | 980 | 620 | 5,128 |
| Conferences | 20,198 | 3,450 | 3,054 | 26,702 | 6,740 | 3,792 | 480 | 11,012 |
| Printing | 1,976 | - | 5,341 | 7,317 | 1,911 | 110 | 2,336 | 4,357 |
| Office equipment | 3,654 | 1,218 | - | 4,872 | 3,425 | 1,142 | - | 4,567 |
| Transportation | 2,246 | 123 | 68 | 2,437 | 3,060 | 443 | 312 | 3,815 |
| Service charges | - | 3,868 | - | 3,868 | - | 4,301 | - | 4,301 |
| Telephone | 2,176 | 544 | - | 2,720 | 2,664 | 666 | - | 3,330 |
| Staff recruitment | - | - | - | - | - | 2,345 | - | 2,345 |
| Bad debt expense | - | 950 | - | 950 | - | 1,272 | - | 1,272 |
| Web site and IT | 596 | 52 | - | 648 | 787 | 68 | - | 855 |
| Postage | 459 | 161 | 1,246 | 1,866 | 1,048 | 368 | 686 | 2,102 |
| Miscellaneous | - | 550 | - | 550 | - | 920 | - | 920 |
| Subscriptions and publications | 360 | - | - | 360 | 18 | - | - | 18 |
| Total Expenses | \$ 906,199 | \$ 239,947 | \$ 84,050 | \$ 1,230,196 | \$ 919,398 | \$ 240,511 | \$ 64,634 | \$ 1,224,543 |

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Cash Flows

| Years Ended June 30, | 2020 | 2019 |
|---|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ (373,501) | \$ (232,789) |
| Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities | | |
| Depreciation | 145,029 | 145,029 |
| Loan fee amortization | 11,438 | 6,192 |
| Loss due to uncollectible pledges and bad debt expense | 950 | 1,272 |
| Net realized and unrealized loss (gain) on investments | 3,443 | (5,386) |
| Net change in assets held by others | (6,677) | (23,113) |
| Change in accrued pension liability | 165,239 | 127,757 |
| Changes in operating assets and liabilities | | |
| Receivables | 28,596 | (25,519) |
| Other assets | (5,081) | (51) |
| Refundable advance | 37,355 | - |
| Accounts payable and accrued expenses | (23,255) | 20,366 |
| Net Cash and Cash Equivalents (Used In) Provided By Operating Activities | (16,464) | 13,758 |
| Cash Flows From Investing Activities | | |
| Additions to building and improvements | (8,176) | (3,500) |
| Distribution from assets held by others - new building | 414,000 | 215,000 |
| Refund of property taxes paid | 89,554 | - |
| Sale of investments | - | 201,000 |
| Purchase of investments | (3,110) | (5,418) |
| Net Cash and Cash Equivalents Provided By Investing Activities | 492,268 | 407,082 |
| Cash Flows From Financing Activities | | |
| Repayment of building loan payable | (474,889) | (462,626) |
| Proceeds from PPP loan payable | 106,100 | - |
| Net Cash and Cash Equivalents Used In Financing Activities | (368,789) | (462,626) |
| Net Change In Cash ,Cash Equivalents, and Restricted Cash | 107,015 | (41,786) |
| Cash, Cash Equivalents, and Restricted Cash beginning of year | 399,697 | 441,483 |
| Cash, Cash Equivalents, and Restricted Cash, end of year | \$ 506,712 | \$ 399,697 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest | \$ 17,522 | \$ 35,453 |

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

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 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.

The Foundation reports gifts of cash and other assets as contributions with donor restrictions 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, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets without donor restrictions represent revenue producing activities, primarily the Federation annual allocation, investment gains and losses, rental income, and donations with no donor imposed restrictions, offset by programming, management and fundraising expenses. Net assets with donor restrictions 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 or from contributions whose use by the Foundation is restricted in perpetuity by the donor.

COVID-19

On January 30, 2020 the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

The outbreak may have an adverse impact on economic and market conditions, triggering a period of global economic slowdown. As such, this may negatively impact on campus actives' income which could result in reduced campus enrollment and reduced revenues. In addition to revenues, the Company is also dependent upon donations from individuals, foundations and corporations. An economic downturn could result in reduced contribution revenue.

The Foundation continues to monitor operations and government health agency recommendations. The Foundation has made modifications to the normal operations because of the COVID-19 outbreak, certain programs will be offered in-person and remotely during the FY 2021. These changes were made to meet the needs of students and families throughout Northeast Ohio.

As detailed in Note 6 below, the Foundation did receive a Paychex Protection Program loan in FY 2020 ("the Loan"). In FY 2021, the Foundation will submit an application requesting forgiveness of 100% of the Loan amount. Forgiveness of the Loan will result in the funds being converted from a loan payable to a gain on extinguishment of debt. Management expects that this \$106,100 of this gain will help offset any potential reduction in tuition revenue, auxiliary services programs revenue and contribution revenue that may result from the impact of COVID-19 on FY 2021 operating results. (See Note 9 for further detail about Liquidity and Availability of Resources.)

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.

Restricted Cash for Building

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 loan repayments, building improvements, loan interest, and fees.

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 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, 2020 and 2019.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

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 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 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, 2020 and 2019, 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 \$68,626 and \$80,064 at June 30, 2020 and 2019, respectively.

Contributions and Revenue Recognition

The Organization has adopted Accounting Standards Update (ASU 2018-08), Not for Profit Entities, (Topic 605): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions*, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

The Organization 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.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

A portion of the Organization's revenue is derived from cost reimbursable grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost reimbursable grants of \$62,000 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred, with an advance payment of \$37,355 recognized in the statement of financial position as a refundable advance.

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 2020 or 2019.

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 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).

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 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, 2020 and 2019.

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, 2020 and 2019.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

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, 2020 and 2019, the Foundation received 61% and 55% of total support (operating and non-operating support and revenue), respectively, from Federation. As of June 30, 2020, 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.

Accounting Pronouncement Adopted

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 contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU assists in the determination of the nature of the transaction which then governs 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 for annual periods beginning after December 15, 2018.

Statement of Cash Flows (Topic 230), Restricted Cash

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230: Restricted Cash)*. ASU 2016-18 clarifies certain existing principals in Accounting Standards Codification (“ASC”) 230, including guidance related to transfers between cash and restricted cash, and presentation in the statements of cash flows of the cash receipts and cash payments that directly affect the restricted cash accounts. The Foundation adopted the updated standard effective July 1, 2019 the adoption of the standard modified the Foundation’s presentation of deposits held in restricted funds within the statements of cash flows and related disclosures.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets to the statements of cash flows as of June 30, 2020 and 2019.

| <i>Years Ended June 30,</i> | 2020 | 2019 |
|-----------------------------|------------|------------|
| Cash and Cash Equivalents | \$ 413,863 | \$ 314,000 |
| Restricted Cash | | |
| Building | 92,849 | 85,697 |
| Total | \$ 506,712 | \$ 399,697 |

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, 2019. 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.

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 fiscal beginning after December 15, 2020. Early adoption of ASU 2016-02 is permitted. The Foundation is currently evaluating the impact of this ASU on its financial statements.

Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through November 5, 2020, 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.

The remainder of this page intentionally left blank.

Cleveland Hillel Foundation, Incorporated

Notes to 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:

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

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, Main Investment Fund (MIF) and Marketable Alternatives Program (MAP) 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. 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 2020, the payout ranged from .5% - 1.8% and during fiscal 2019, the payout ranged from 1.55% - 1.9%.

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 4.5% of the MIF portfolio as of June 30, 2020 and 3.5% as of June 30, 2019. Real estate investments have a 5% target allocation. These investments totaled 4.2% of the MIF portfolio as of June 30, 2020 and 3.8% as of June 30, 2019. 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

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

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-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, 2020 and 2019, using unadjusted quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

| <i>June 30, 2020</i> | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|-------------|-------------------|-------------------|-------------------|
| Investments | | | | |
| Federation Money Fund | \$ - | \$ 122,012 | \$ - | \$ 122,012 |
| Federation Main Investment Fund | | | | |
| Federation Marketable | - | 173,855 | - | 173,855 |
| Alternatives Fund | - | - | 33,987 | 33,987 |
| Assets held by others - Endowment | - | - | 193,753 | 193,753 |
| | \$ - | \$ 295,867 | \$ 227,740 | \$ 523,607 |

| <i>June 30, 2019</i> | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|-------------|-------------------|-------------------|-------------------|
| Investments | | | | |
| Federation Money Fund | \$ - | \$ 33,448 | \$ - | \$ 33,448 |
| Federation Main Investment Fund | - | 296,739 | - | 296,739 |
| Assets held by others - Endowment | - | - | 198,231 | 198,231 |
| | \$ - | \$ 330,187 | \$ 198,231 | \$ 528,418 |

Purchases of Level 3 assets were as follows for the fiscal years ended:

| <i>Years Ended June 30,</i> | 2020 | 2019 |
|-----------------------------------|-----------|--------|
| Investments | \$ 34,631 | \$ - |
| Assets Held by Others - Endowment | \$ 18 | \$ 108 |

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

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. 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, 2020 and 2019.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

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 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:

| <i>June 30, 2020</i> | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|------------|
| Donor restricted endowment funds | \$ - | \$ 193,753 | \$ 193,753 |

| <i>June 30, 2019</i> | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|------------|
| Donor restricted endowment funds | \$ - | \$ 198,231 | \$ 198,231 |

The remainder of this page intentionally left blank.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

Change in endowment net assets for the fiscal years ended June 30, 2020 and 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------|
| Endowment net assets, June 30, 2018 | \$ - | \$ 194,462 | \$ 194,462 |
| Investment return: | | | |
| Investment income | - | 658 | 658 |
| Net appreciation (realized and unrealized) | - | 3,753 | 3,753 |
| Total investment return | - | 4,411 | 4,411 |
| Contributions | - | 108 | 108 |
| Appropriation of endowment assets for expenditure | - | (750) | (750) |
| Endowment net assets, June 30, 2019 | - | 198,231 | 198,231 |
| Investment return: | | | |
| Investment income | - | 234 | 234 |
| Net (depreciation) (realized and unrealized) | - | (3,980) | (3,980) |
| Total investment return | - | (3,746) | (3,746) |
| Contributions | - | 18 | 18 |
| Appropriation of endowment assets for expenditure | - | (750) | (750) |
| Endowment net assets, June 30, 2020 | \$ - | \$ 193,753 | \$ 193,753 |

5. 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 \$19,038 and \$25,100 at June 30, 2020 and 2019, respectively. All restricted pledges and grants receivable are expected to be collected in less than one year.

Unrestricted pledges and grants receivable were \$12,038 and \$48,770 at June 30, 2020 and 2019, respectively. All unrestricted pledges and grants receivable are expected to be collected in less than one year.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

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 November 1, 2025. The loan is guaranteed by Federation. As of June 30, 2020 and 2019, \$668,244 and \$1,143,133, respectively, was outstanding in relation to this debt.

Principal is due semi-annually in the months of November and May, through November 2025. 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 1.10% and 2.61% at June 30, 2020 and 2019, respectively) and is payable monthly. Interest expense, including letter of credit fees and bond issuance costs, on all debt facilities of the Foundation was \$33,106 and \$45,055, for the years ended June 30, 2020 and 2019, 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, which is included in interest expense, was \$11,438 and \$6,192 for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, net deferred financing fees were \$68,626 and \$80,064, respectively.

The aggregate principal maturities of long-term debt, net of unamortized financing fees, as of June 30, 2020 are as follows:

| <i>Year ending June 30</i> | Principal Payments |
|------------------------------|-----------------------|
| 2021 | \$ 117,200 |
| 2022 | 119,556 |
| 2023 | 121,958 |
| 2024 | 124,410 |
| 2025 | 126,910 |
| Thereafter | 58,210 |
| Total | 668,244 |
| Less deferred financing fees | (68,626) |
| | <u>\$ 599,618</u> |

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

PPP Loan Payable

On April 19, 2020, the Company received loan proceeds in the amount of \$106,100 under the Paycheck Protection Program (“PPP”). 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 unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Foundation intends to use the proceeds for purposes consistent with the PPP. The Foundation currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

7. Net Assets

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

| <i>Purpose and Time Restricted:</i> | 2020 | 2019 |
|---|-------------------|---------------------|
| Building renovations and operations | \$ 429,337 | \$ 824,926 |
| Summer internship | 83,521 | 103,396 |
| Community service, scholarships and cultural programming | 116,136 | 117,189 |
| Support for the arts | 2,857 | 2,857 |
| JCLE | 9,341 | 9,901 |
| Social justice | 12,849 | 13,974 |
| General program | 49,700 | 46,377 |
| Maccabee Task Force Foundation activities | - | 23,629 |
| Subtotal | 703,741 | 1,142,249 |
| <i>Investment in Perpetuity:</i> | | |
| <i>Subject to the Organization’s endowment spending policy and appropriation:</i> | | |
| Community service, scholarships and cultural programming | 129,518 | 132,031 |
| Support for the arts | 47,395 | 48,357 |
| General Program | 16,840 | 17,843 |
| Subtotal | 193,753 | 198,231 |
| Total net assets with donor restrictions: | \$ 897,494 | \$ 1,340,480 |

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

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

| Purpose and time restrictions accomplished: | 2020 | 2019 |
|--|------------|------------|
| Released for operating activities: | | |
| Maccabee Task Force Foundation | \$ 107,145 | \$ 113,971 |
| Summer internship | 84,874 | 60,610 |
| JCLE | 560 | 100 |
| General program | 12,970 | 33,467 |
| Israel | - | 749 |
| Administration | 6,050 | - |
| Social justice | - | 3,850 |
| Total restrictions released: | 211,599 | 212,747 |
| Released for non-operating activities: | | |
| Building renovations and operations | 407,002 | 524,288 |
| Total released from restrictions operating and non-operating activities | \$ 618,601 | \$ 737,035 |

8. 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.

| Years Ended June 30, | 2020 | 2019 |
|--|------------|------------|
| Cash | \$ 228,374 | \$ 130,184 |
| Cash equivalents | 8,904 | 8,782 |
| Receivables: | | |
| Pledges and grants, without donor restrictions | 13,598 | 48,770 |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 250,876 | \$ 187,736 |

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 Federation on a monthly basis so that operating cash needs are met in a timely manner.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

9. 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, 2020 and 2019, the Foundation has recorded on its statement of activities, pension plan expense of \$10,408 in 2020 and \$9,773 in 2019. 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 2020 and \$116,867 in 2019.

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 increased by 5% for Plan year 2018/2019 and 6.5% for the Plan years 2019/2020 and 2020/2021.

As calculated by an actuary, as of June 30, 2020 and 2019, the Foundation's share of the Plan's unfunded liability was \$866,681 and \$701,442, respectively and is reported on the statements of financial position as an accrued pension liability. The Foundation has recorded on its statements of activities an increase of \$ 165,239 and \$127,757 in pension liability which represent the change in the Foundation's share of the Plan's unfunded liability for the years ended June 30, 2020 and 2019, 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 \$19,337 and \$20,505 for the years ended June 30, 2020 and 2019, respectively.

10. Lease Commitments

The Foundation leases office equipment, a car and an apartment under operating lease agreements that run through 2024. Rent expense was \$21,106 and \$25,112 for the years ended June 30, 2020 and 2019, respectively.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

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

Year Ending June 30,

| | | |
|--------------|-----------|---------------|
| 2021 | \$ | 17,909 |
| 2022 | | 4,872 |
| 2023 | | 4,872 |
| 2024 | | 1,603 |
| 2025 | | - |
| Thereafter | | - |
| Total | \$ | 29,256 |

11. 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, 2020 and 2019.