



# Cleveland Hillel Foundation, Incorporated

Financial Statements  
Years Ended June 30, 2019 and 2018

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

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Financial Statements  
Years Ended June 30, 2019 and 2018

# Cleveland Hillel Foundation, Incorporated

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## 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, 2019 and 2018, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Cleveland, Ohio  
October 28, 2019

## Financial Statements

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# Cleveland Hillel Foundation, Incorporated

## Statements of Financial Position

<i>June 30,</i>	2019	2018
<b>Assets</b>		
Cash	\$ 130,184	\$ 113,351
Restricted cash for building	85,697	194,749
Cash equivalents	183,816	133,383
Investments	330,187	520,383
Receivables		
Pledges and grants, without donor restrictions	48,770	32,248
Pledges and grants, with donor restrictions	25,100	20,500
Other	101,463	98,338
Assets held by others - Endowment	198,231	194,462
Assets held by others - New Building	731,733	927,389
Other assets	12,762	12,711
Property		
Land	246,500	246,500
Buildings and improvements	4,147,910	4,144,410
Furniture and equipment	204,445	204,445
	4,598,855	4,595,355
Less accumulated depreciation	(512,205)	(367,176)
Total Property	4,086,650	4,228,179
<b>Total Assets</b>	<b>\$ 5,934,593</b>	<b>\$ 6,475,693</b>

*See accompanying notes to financial statements.*

# Cleveland Hillel Foundation, Incorporated

## Statements of Financial Position

<i>June 30,</i>	2019	2018
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 61,708	\$ 41,342
Building loan payable, net	1,063,069	1,519,503
Deferred deposits	2,200	2,200
Accrued pension liability	701,442	573,685
<b>Total Liabilities</b>	<b>1,828,419</b>	<b>2,136,730</b>
<b>Net Assets</b>		
Without donor restrictions	2,765,694	2,556,256
With donor restrictions	1,340,480	1,782,707
<b>Total Net Assets</b>	<b>4,106,174</b>	<b>4,338,963</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,934,593</b>	<b>\$ 6,475,693</b>

*See accompanying notes to financial statements.*

Cleveland Hillel Foundation, Incorporated

Statements of Activities

Years Ended June 30,	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities:</b>						
<b>Support and Revenue:</b>						
Jewish Federation of Cleveland allocation	\$ 643,722	\$ -	\$ 643,722	\$ 628,722	\$ -	\$ 628,722
Contributions and other grants - current year	141,135	124,698	265,833	161,443	105,132	266,575
Grants from Maccabee Task Force Foundation	-	137,600	137,600	-	-	-
Grants from Hillel International	11,666	-	11,666	17,232	-	17,232
Program service fees	10,318	-	10,318	12,833	-	12,833
Rental income	55,682	-	55,682	54,457	-	54,457
Special events, net	-	-	-	9,071	-	9,071
Interest and dividend income	3,075	6,949	10,024	2,499	5,426	7,925
Net realized and unrealized gain on investments	3,580	1,806	5,386	10,988	5,559	16,547
Net change in assets held by others - Endowment	-	4,411	4,411	-	12,047	12,047
Miscellaneous income	580	-	580	1,836	-	1,836
Net assets released from restrictions - operating	212,747	(212,747)	-	122,190	(122,190)	-
	1,082,505	62,717	1,145,222	1,021,271	5,974	1,027,245
<b>Expenses:</b>						
Program services	919,398	-	919,398	810,512	-	810,512
Management and general services	240,511	-	240,511	230,771	-	230,771
Fundraising	64,634	-	64,634	109,676	-	109,676
	1,224,543	-	1,224,543	1,150,959	-	1,150,959
Operating Activities: Support and Revenue (Under) Over Expenses	(142,038)	62,717	(79,321)	(129,688)	5,974	(123,714)
<b>Non-Operating Activities:</b>						
Change in value, assets held by others - New Building	-	19,344	19,344	-	46,888	46,888
Interest expense	(45,055)	-	(45,055)	(44,733)	-	(44,733)
Change in unfunded pension liability	(127,757)	-	(127,757)	33,167	-	33,167
Net assets released from restrictions - non-operating	524,288	(524,288)	-	373,886	(373,886)	-
<b>Change In Net Assets</b>	<b>209,438</b>	<b>(442,227)</b>	<b>(232,789)</b>	<b>232,632</b>	<b>(321,024)</b>	<b>(88,392)</b>
Net Assets, Beginning of Year	2,556,256	1,782,707	4,338,963	2,323,624	2,103,731	4,427,355
<b>Net Assets, End of Year</b>	<b>\$ 2,765,694</b>	<b>\$ 1,340,480</b>	<b>\$ 4,106,174</b>	<b>\$ 2,556,256</b>	<b>\$ 1,782,707</b>	<b>\$ 4,338,963</b>

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Functional Expenses

<i>Years Ended June 30,</i>	2019				2018			
	Program Services	Management and General Services	Fundraising	Total	Program Services	Management and General Services	Fundraising	Total
Salaries and wages	\$ 406,121	\$ 135,316	\$ 34,970	\$ 576,407	\$ 405,630	\$ 127,536	\$ 73,490	\$ 606,656
Depreciation	108,772	29,006	7,251	145,029	108,044	28,812	7,203	144,059
Employee benefits	102,040	22,336	6,075	130,451	86,449	18,055	15,067	119,571
Supplies	80,964	3,598	5,398	89,960	80,676	3,586	5,378	89,640
Maccabee Task Force activities	102,471	-	-	102,471	-	-	-	-
Occupancy	47,297	12,613	3,153	63,063	46,297	12,346	3,086	61,729
Professional services	8,813	21,235	3,353	33,401	6,369	27,374	1,235	34,978
Israel Fellow	29,739	-	-	29,739	29,524	-	-	29,524
Grants for summer internship program	10,000	-	-	10,000	12,000	-	-	12,000
Advertising	3,528	980	620	5,128	2,780	2,200	180	5,160
Conferences	6,740	3,792	480	11,012	13,052	1,212	439	14,703
Printing	1,911	110	2,336	4,357	1,113	437	2,309	3,859
Office equipment	3,425	1,142	-	4,567	5,139	1,713	-	6,852
Transportation	3,060	443	312	3,815	5,076	260	174	5,510
Service charges	-	4,301	-	4,301	-	4,712	-	4,712
Telephone	2,664	666	-	3,330	1,684	421	250	2,355
Staff recruitment	-	2,345	-	2,345	3,573	1,532	-	5,105
Bad debt expense	-	1,272	-	1,272	-	-	-	-
Web site and IT	787	68	-	855	2,446	213	-	2,659
Postage	1,048	368	686	2,102	463	162	865	1,490
Miscellaneous	-	920	-	920	-	200	-	200
Subscriptions and publications	18	-	-	18	197	-	-	197
<b>Total Expenses</b>	<b>\$ 919,398</b>	<b>\$ 240,511</b>	<b>\$ 64,634</b>	<b>\$ 1,224,543</b>	<b>\$ 810,512</b>	<b>\$ 230,771</b>	<b>\$ 109,676</b>	<b>\$ 1,150,959</b>

*See accompanying notes to financial statements.*

# Cleveland Hillel Foundation, Incorporated

## Statements of Cash Flows

Years Ended June 30,	2019	2018
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (232,789)	\$ (88,392)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
Depreciation	145,029	144,059
Loan fee amortization	6,192	6,192
Loss due to uncollectible pledges and bad debt expense	1,272	-
Net realized and unrealized gain on investments	(5,386)	(16,547)
Net change in assets held by others	(23,113)	(49,475)
Change in accrued pension liability	127,757	(33,167)
Changes in operating assets and liabilities		
Receivables	(25,519)	(49,032)
Other assets	(51)	(480)
Accounts payable and accrued expenses	20,366	(1,522)
<b>Net Cash and Cash Equivalents Provided By (Used In) Operating Activities</b>	<b>13,758</b>	<b>(88,364)</b>
<b>Cash Flows From Investing Activities</b>		
Additions to building and improvements	(3,500)	(26,973)
Distribution from assets held by others - new building	215,000	475,000
Sale of investments	201,000	30,000
Purchase of investments	(5,418)	(6,406)
<b>Net Cash and Cash Equivalents Provided By Investing Activities</b>	<b>407,082</b>	<b>471,621</b>
<b>Cash Flows From Financing Activities</b>		
Repayment of building loan payable	(462,626)	(260,408)
Repayment of loans payable	-	(373)
<b>Net Cash and Cash Equivalents Used In Financing Activities</b>	<b>(462,626)</b>	<b>(260,781)</b>
<b>Net Change In Cash and Cash Equivalents</b>	<b>(41,786)</b>	<b>122,476</b>
Cash and Cash Equivalents, beginning of year	441,483	319,007
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 399,697</b>	<b>\$ 441,483</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 35,453	\$ 38,541

*See accompanying notes to financial statements.*

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *Description of Entity*

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

#### *Basis of Presentation*

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

#### *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.

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### *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, 2019 and 2018.

### *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, 2019 and 2018, 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

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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issuance costs are included as a direct deduction from the related debt liability. Debt issuance costs, net of accumulated amortization were \$80,064 and \$86,256 at June 30, 2019 and 2018, respectively.

### *Contributions*

Contributions are recognized as revenue when they are received or unconditionally pledged. Pledges receivable are unconditional commitments by donors that have not been received by the Foundation. Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

### *Donated Services*

A substantial number of volunteers donate significant amounts of time to the Foundation's program services. However, in most cases no amounts are reported in the financial statements for donated services since no objective basis is available to measure the value of such services. Donated services are recorded when an objective value can be determined. The Foundation did not record any donated services in 2019 or 2018.

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, 2019 and 2018.

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, 2019 and 2018.

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### *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, 2019 and 2018, the Foundation received 55% and 59% of total support (operating and non-operating support and revenue), respectively, from Federation. As of June 30, 2019, 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*

#### *Presentation of Financial Statements of Not-for-Profit Entities*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU 2016-14), Not-for-Profit Entities, (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The objective of this statement is to improve the current net asset classification requirements and information presented in financial statements and notes about an entity's liquidity, financial performance and cash flows. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and direct expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

The Foundation has adopted this ASU for the financial statements. As a result, the Foundation expanded the footnote disclosures and revised the financial statement presentation as required by ASU 2016-14.

### *Fair Value Measurement*

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 eliminates, adds and modifies certain disclosure requirements for fair value measurements. This guidance is effective for the Foundation beginning July 1, 2020 and early adoption is permitted. The Foundation adopted this guidance effective July 1, 2018. Based on the new pronouncement, certain changes were made to the ASC 820 Fair Value disclosure in Note 3.

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### *Recent Accounting Pronouncements not yet Adopted*

#### *Revenue from Contracts with Customers*

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

#### *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 will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU is effective for transactions in which the entity serves as the resource recipient for annual periods beginning after December 15, 2018. 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.

#### *Reclassifications*

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. See *Accounting Pronouncement Adopted* above.

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### *Evaluation of Subsequent Events*

The Foundation has evaluated subsequent events through October 28, 2019, which is the date the financial statements were available to be issued, and has determined that there were no subsequent events to recognize or disclose in these financial statements.

### **2. Building**

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

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

### **3. Fair Value Measurements**

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

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

Level 3 valuations incorporate certain assumptions and projections that are not observable in the market in determining the fair value for investments and assets held by others as of the reporting date. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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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 (Federation) Pooled Funds*

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

### *Money Fund*

The Money Fund is comprised primarily of investments in U.S. 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 2019, the payout ranged from 1.55% - 1.9% and during fiscal 2018, the payout ranged from 1.15% - 1.45%.

### *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 3.5% of the MIF portfolio as of June 30, 2019 and 2.5% as of June 30, 2018. Real estate investments have a 5% target allocation. These investments totaled 3.8% of the MIF portfolio as of June 30, 2019 and 3.5% as of June 30, 2018. The Foundation is credited a pro rata share of investment returns based upon units of ownership interest.

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

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

### *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, 2019 and 2018, 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, 2019</i>	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 183,816	\$ -	\$ -	\$ 183,816
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
	<b>\$ 183,816</b>	<b>\$ 330,187</b>	<b>\$ 198,231</b>	<b>\$ 712,234</b>

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

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

<i>Years Ended June 30,</i>	2019	2018
Assets Held by Others - Endowment	\$ 108	\$ 131

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### 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 permanently restricted net assets as the Board of Foundation determines is prudent, after application of the factors set forth below.

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

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

#### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value of such fund. In accordance with GAAP, there were no deficiencies of this nature as of June 30, 2019 and 2018.

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### *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, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 198,231	\$ 198,231

<i>June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 194,462	\$ 194,462

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# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

Change in endowment net assets for the fiscal years ended June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2017	\$ -	\$ 191,875	\$ 191,875
Investment return:			
Investment income	-	655	655
Net appreciation (realized and unrealized)	-	11,392	11,392
Total investment return	-	12,047	12,047
Contributions	-	131	131
Appropriation of endowment assets for expenditure	-	(9,591)	(9,591)
Endowment net assets, June 30, 2018	-	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

### 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 \$25,100 and \$20,500 at June 30, 2019 and 2018, respectively. All restricted pledges and grants receivable are expected to be collected in less than one year.

Unrestricted pledges and grants receivable were \$48,770 and \$32,248 at June 30, 2019 and 2018, 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

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### 6. Debt

#### *Building Loan Payable*

On April 8, 2015, the Colorado Education and Cultural Facilities Authority (CECFA) issued up to \$3,300,000 tax exempt non-bank qualified loan (National Jewish Federation Bond Program, series U-1) and assigned the rights and obligations of the loan to Key Government Finance, Inc. The loan proceeds funded the construction, working capital and other certain financing costs related to the Foundation's building renovation (see Note 2). The Lender Retention Option occurs on April 1, 2022 and may be extended thereafter. During the year ended June 30, 2017, the loan agreement was amended to reflect the actual final outstanding borrowings of \$2,417,446. The loan is amortized over the remaining life of the loan and will be paid in full on May 1, 2032. The loan is guaranteed by Federation. As of June 30, 2019 and 2018, \$1,143,133 and \$1,605,759, respectively, was outstanding in relation to this debt.

Principal is due semi-annually in the months of November and May, through May 2032. Interest on the outstanding balance is calculated based on 67% of the 1-month LIBOR Index Floating Rate (as defined) plus a credit spread (equaling 2.61% and 2.31% at June 30, 2019 and 2018, respectively) and is payable monthly. Interest expense, including letter of credit fees and bond issuance costs, on all debt facilities of the Foundation was \$45,055 and \$44,733, for the years ended June 30, 2019 and 2018, 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 \$6,192 for both years ended June 30, 2019 and 2018. As of June 30, 2019 and 2018, net deferred financing fees were \$80,064 and \$86,256, respectively.

The aggregate principal maturities of long-term debt, net of unamortized financing fees, as of June 30, 2019 are as follows:

<i>Year ending June 30</i>	Principal Payments
2020	\$ 114,889
2021	117,200
2022	119,556
2023	121,958
2024	124,410
Thereafter	545,120
Total	1,143,133
Less deferred financing fees	(80,064)
	<u>\$ 1,063,069</u>

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### *Loan Payable*

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

### 7. Net Assets

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

<i>Purpose and Time Restricted:</i>	2019	2018
Building renovations and operations	\$ 824,926	\$ 1,327,997
Summer internship	103,396	73,966
Community service, scholarships and cultural programming	117,189	114,958
Support for the arts	2,857	2,857
JCLE	9,901	10,001
Israel	-	749
Social justice	13,974	17,824
General program	46,377	39,893
Maccabee Task Force Foundation activities	23,629	-
Subtotal	1,142,249	1,588,245
<i>Investment in Perpetuity:</i> <i>Subject to the Organization's endowment spending</i> <i>policy and appropriation:</i>		
Community service, scholarships and cultural programming	132,031	129,351
Support for the arts	48,357	47,066
General Program	17,843	18,045
Subtotal	198,231	194,462
Total net assets with donor restrictions:	\$ 1,340,480	\$ 1,782,707

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# 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:	2019	2018
Released for operating activities:		
Maccabee Task Force Foundation	\$ 113,971	\$ -
Summer internship	60,610	79,661
JCLE	100	606
General program	33,467	15,739
Support for the arts	-	11,265
Israel	749	10,646
Passage of time	-	4,000
Social justice	3,850	273
Total restrictions released:	212,747	122,190
Released for non-operating activities:		
Building renovations and operations	524,288	373,886
Total released from restrictions operating and non-operating activities	\$ 737,035	\$ 496,076

### 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.

<i>Years Ended June 30,</i>	2019	2018
Cash	\$ 130,184	\$ 113,351
Cash equivalents	8,782	8,593
Receivables:		
Pledges and grants, without donor restrictions	48,770	32,248
Financial assets available to meet cash needs for general expenditures within one year	\$ 187,736	\$ 154,192

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

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### 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, 2019 and 2018, the Foundation has recorded on its statement of activities, pension plan expense of \$9,773 in 2019 and \$9,524 in 2018. 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 \$116,867 in 2019 and \$98,934 in 2018.

#### *Accrued Pension*

The Plan is currently underfunded. Since the 2010/2011 fiscal year, the policy regarding future annual contributions to the Plan has required that participating agencies, in total, increase their contributions to the Plan by 4.75% each year for 12 years. This increase is reviewed annually. The contributions for the Plan year 2018/2019 increased by 5% and for Plan year 2019/2020 will increase by 6.5%.

As calculated by an actuary, as of June 30, 2019 and 2018, the Foundation's share of the Plan's unfunded liability was \$701,442 and \$573,685, 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 \$127,757 and a decrease of \$33,167 in pension liability which represent the change in the Foundation's share of the Plan's unfunded liability for the years ended June 30, 2019 and 2018, 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 \$20,505 and \$3,381 for the years ended June 30, 2019 and 2018, 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 \$25,112 and \$22,337 for the years ended June 30, 2019 and 2018, respectively.

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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

*Year Ending June 30,*

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2020	\$	18,982
2021		4,872
2022		4,872
2023		4,872
2024		1,603
Thereafter		-
<hr/>		
<b>Total</b>	<b>\$</b>	<b>35,201</b>

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### 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, 2019 and 2018.