



Cleveland Hillel Foundation, Incorporated

Financial Statements
Years Ended June 30, 2017 and 2016

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, 2017 and 2016

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	11-26



Independent Auditor's Report

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

We have audited the accompanying financial statements of Cleveland Hillel Foundation, Incorporated, which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland Hillel Foundation, Incorporated as of June 30, 2017 and 2016, 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 8, 2017

Financial Statements

Cleveland Hillel Foundation, Incorporated

Statements of Financial Position

<i>June 30,</i>	2017	2016
Assets		
Cash	\$ 104,910	\$ 131,315
Construction cash	93,635	4,764
Cash equivalents	120,462	141,514
Investments	527,430	281,998
Receivables		
Unrestricted pledges and grants	19,322	36,424
Restricted pledges and grants	39,500	30,166
Other	43,232	218,978
Assets held by others - Endowment	191,875	166,787
Assets held by others - New Building	1,355,501	1,992,716
Other assets	12,231	5,639
Property		
Land	246,500	246,500
Buildings and improvements	4,117,437	4,099,678
Furniture and equipment	204,445	184,885
	4,568,382	4,531,063
Less accumulated depreciation	(223,117)	(81,208)
Total Property	4,345,265	4,449,855
Total Assets	\$ 6,853,363	\$ 7,460,156

Cleveland Hillel Foundation, Incorporated

Statements of Financial Position

<i>June 30,</i>	2017	2016
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 42,864	\$ 36,288
Building loan payable, net	1,773,719	2,319,814
Loans payable - Jewish Federation of Cleveland	373	2,111
Deferred deposits	2,200	2,200
Accrued pension liability	606,852	634,797
Total Liabilities	2,426,008	2,995,210
Net Assets		
Unrestricted	2,323,624	1,826,481
Temporarily restricted	1,983,731	2,518,465
Permanently restricted	120,000	120,000
Total Net Assets	4,427,355	4,464,946
Total Liabilities and Net Assets	\$ 6,853,363	\$ 7,460,156

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Activities

Years Ended June 30,	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Activities:								
Support and Revenue:								
Jewish Federation of Cleveland allocation	\$ 619,222	\$ -	\$ -	\$ 619,222	\$ 618,222	\$ -	\$ -	\$ 618,222
Jewish Federation of Cleveland additional grant	-	-	-	-	15,368	-	-	15,368
Contributions and other grants - current year	153,461	123,366	-	276,827	145,201	121,083	-	266,284
In Kind Contribution - Free Rent	-	-	-	-	44,840	-	-	44,840
Allocation and grants from Hillel International	4,322	15,500	-	19,822	1,600	21,500	-	23,100
Program service fees	15,528	-	-	15,528	15,769	-	-	15,769
Rental income	53,282	-	-	53,282	27,028	-	-	27,028
Interest and dividend income	2,077	4,747	-	6,824	2,016	1,303	-	3,319
Net realized and unrealized gain (loss) on investments	26,037	13,163	-	39,200	(6,097)	(3,082)	-	(9,179)
Net change in assets held by others - Endowment	-	25,117	-	25,117	-	(7,035)	-	(7,035)
Miscellaneous income	1,593	-	-	1,593	20,745	-	-	20,745
Net assets released from restrictions - operating	151,205	(151,205)	-	-	148,529	(148,529)	-	-
	1,026,727	30,688	-	1,057,415	1,033,221	(14,760)	-	1,018,461
Expenses:								
Program services	845,015	-	-	845,015	771,338	-	-	771,338
Management and general services	229,916	-	-	229,916	240,440	-	-	240,440
Fundraising	90,853	-	-	90,853	107,652	-	-	107,652
	1,165,784	-	-	1,165,784	1,119,430	-	-	1,119,430
Operating Activities: Support and Revenue								
Over (Under) Expenses	(139,057)	30,688	-	(108,369)	(86,209)	(14,760)	-	(100,969)
Non-Operating Activities:								
Change in assets held by others - New Building	-	87,785	-	87,785	-	242,465	-	242,465
Building Reimbursement from CWRU	-	-	-	-	-	217,078	-	217,078
Interest and Fees on Building Loan	(39,768)	-	-	(39,768)	(22,240)	-	-	(22,240)
Loan Fee amortization	(5,184)	-	-	(5,184)	(4,293)	-	-	(4,293)
Decrease (increase) in unfunded pension liability	27,945	-	-	27,945	(303,853)	-	-	(303,853)
Net assets released from restrictions - non-operating	653,207	(653,207)	-	-	1,087,821	(1,087,821)	-	-
Change In Net Assets	497,143	(534,734)	-	(37,591)	671,226	(643,038)	-	28,188
Net Assets, Beginning of Year	1,826,481	2,518,465	120,000	4,464,946	1,155,255	3,161,503	120,000	4,436,758
Net Assets, End of Year	\$ 2,323,624	\$ 1,983,731	\$ 120,000	\$ 4,427,355	\$ 1,826,481	\$ 2,518,465	\$ 120,000	\$ 4,464,946

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Functional Expenses

<i>Years Ended June 30,</i>	2017				2016			
	Program Services	Management and General Services	Fundraising	Total	Program Services	Management and General Services	Fundraising	Total
Salaries and wages	\$ 444,187	\$ 124,350	\$ 54,501	\$ 623,038	\$ 357,596	\$ 136,070	\$ 53,290	\$ 546,956
Depreciation	106,431	28,382	7,095	141,908	53,018	14,138	3,534	70,690
Employee benefits	92,387	16,914	9,704	119,005	73,143	16,147	19,881	109,171
Supplies	96,478	4,288	6,432	107,198	95,126	4,228	6,342	105,696
Occupancy	40,818	10,885	2,721	54,424	52,045	13,878	3,470	69,393
Professional services	10,240	31,674	4,828	46,742	60,880	31,085	2,870	94,835
Israel Fellow	15,342	-	-	15,342	20,666	-	-	20,666
Grants for summer internship program	10,000	-	-	10,000	13,000	-	-	13,000
Advertising	6,801	950	-	7,751	5,438	-	1,360	6,798
Conferences	5,472	1,419	89	6,980	3,662	549	1,434	5,645
Printing	1,105	1,224	4,539	6,868	2,275	3,825	9,425	15,525
Office equipment	4,905	1,635	-	6,540	4,724	1,574	-	6,298
Transportation	4,919	398	153	5,470	5,801	5,800	440	12,041
Service charges	-	4,711	-	4,711	-	5,236	-	5,236
Telephone	1,729	432	245	2,406	2,195	549	699	3,443
Staff recruitment	2,000	-	315	2,315	8,332	2,778	-	11,110
Bad debt expense	-	2,222	-	2,222	-	415	-	415
Web site and IT	1,406	122	-	1,528	1,661	144	-	1,805
Postage	760	267	231	1,258	2,251	791	2,497	5,539
Miscellaneous	-	43	-	43	-	581	-	581
Subscriptions and publications	35	-	-	35	28	-	128	156
Special event	-	-	-	-	6,844	-	2,282	9,126
Moving	-	-	-	-	2,653	2,652	-	5,305
Total Expenses	\$ 845,015	\$ 229,916	\$ 90,853	\$ 1,165,784	\$ 771,338	\$ 240,440	\$ 107,652	\$ 1,119,430

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Cash Flows

<i>Years Ended June 30,</i>	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ (37,591)	\$ 28,188
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
Depreciation	141,908	70,690
Loan Fee Amortization	5,184	4,293
Loss due to uncollectible pledges and bad debt expense	2,222	415
Net realized and unrealized loss (gain) on investments	(39,200)	9,179
Net change in assets held by others	(112,902)	(234,680)
(Decrease) increase in accrued pension liability	(27,945)	303,853
Changes in operating assets and liabilities		
Receivables	181,292	(152,519)
Other assets	(6,592)	(4,735)
Accounts payable and accrued expenses	6,576	(116,878)
Net Cash and Cash Equivalents Provided By (Used In) Operating Activities	112,952	(92,194)
Cash Flows From Investing Activities		
Additions to building and improvements	(57,463)	(3,451,063)
Distribution from assets held by others - New Building	725,000	1,000,000
Refund of property taxes previously capitalized	20,145	-
Sale of investments	200,000	-
Purchase of investments	(406,203)	(2,969)
Net Cash and Cash Equivalents Provided By (Used In) Investing Activities	481,479	(2,454,032)
Cash Flows From Financing Activities		
Proceeds from borrowing on building loan payable	-	2,367,445
Repayment of building loan payable	(551,279)	-
Repayment of loans payable	(1,738)	(5,295)
Net Cash and Cash Equivalents (Used In) Provided By Financing Activities	(553,017)	2,362,150
Net Change In Cash and Cash Equivalents	41,414	(184,076)
Cash and Cash Equivalents, beginning of year	277,593	461,669
Cash and Cash Equivalents, end of year	\$ 319,007	\$ 277,593

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 Accounting Guide for Not-for-Profit Organizations. The audit guide includes the requirements of Financial Accounting Standards Board (FASB) Codification, Financial Statements of Not-for-Profit Organizations. Under Generally Accepted Accounting Principles (GAAP), the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

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

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

Cash and Cash Equivalents

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

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

Investments and Investment Income

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

Pledges and Grants Receivable

The Foundation reports receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings. There was no allowance at June 30, 2017 and 2016.

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. Also see Note 2.

Assets Held by Others-Endowment

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

Assets Held by Others-New Building

The Foundation is a beneficiary of funds being held by CWRU for the purpose of a new student center for the Foundation (see Note 2). Changes to these funds have been reflected as non-operating support on the statements of activities. At June 30, 2017 and 2016, 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

In April 2015, the Financial Accounting Standards Board (the "FASB") issued an Accounting Standards Update ("ASU") to simplify the presentation of debt issuance costs. Under ASU 2015-03, debt issuance costs reported on the statement of financial position would be reflected as a direct deduction from the related debt liability rather than as an asset. The new guidance is effective for

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

financial statements issued for fiscal years beginning after December 15, 2015. The Foundation adopted this standard as of July 1, 2016, and accordingly reclassified \$92,448 and \$97,632 of net debt issuance costs from loan fees to building loan payable at June 30, 2017 and 2016, respectively.

Contributions

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

Donated Services

A substantial number of volunteers donate significant amounts of time to the Foundation's program services. However, in most cases no amounts are reported in the financial statements for donated services since no objective basis is available to measure the value of such services. Donated services are recorded when an objective value can be determined. The Foundation did not record any donated services in 2017 or 2016.

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

Functional Expense Allocation

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

Income Tax Status

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

The Foundation follows the accounting guidance for uncertainty in income taxes. The Foundation's income tax filings are subject to audit by various taxing authorities. In evaluating the Foundation's activities, the Foundation believes its position of current tax-exempt status is current based on current facts and circumstances. The Foundation has further assessed that there are no activities unrelated to the purpose of the Foundation and therefore no tax is to be recognized in the accompanying financial statements as of June 30, 2017 and 2016.

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, 2017 and 2016.

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, 2017 and 2016, the Foundation received 54% and 43% of total support (operating and non-operating support and revenue), respectively, from Federation. In addition, the Foundation received 31% of total support (operating and non-operating support and revenue) from one donor for the years ended June 30, 2016. As of June 30, 2017, 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.

Reclassifications

Certain amounts in 2016 have been reclassified to conform to the 2017 presentation. The reclassifications had no impact on total net assets.

Recently adopted accounting pronouncements

Presentation of Financial Statements - Going Concern

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern* to provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern. The guidance requires management to assess whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued. When management identifies such conditions or events, a footnote disclosure is required to disclose their nature, as well as management's plans to alleviate the substantial doubt to continue as a going concern. This standard is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. The Foundation has adopted this ASU effective January 1, 2016 and has applied it prospectively.

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 Organization until

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Foundation is currently evaluating the impact of this ASU on its financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

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

Leases

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

Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through November 8, 2017, 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. New 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

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

CWRU has agreed to reimburse the Foundation. The Foundation has considered this reimbursement a contribution from CWRU and has included it in the Building Contribution from CWRU on the statement of activities for the year ended June 30, 2016. The related receivable, \$217,078, was included in Other Receivables on the statements of financial position at June 30, 2016 and was collected in 2017.

3. Fair Value Measurements

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

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

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

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

Cash and cash equivalents

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

Jewish Federation of Cleveland (Federation) Pooled Funds

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

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

Money Fund

The Money Fund is comprised primarily of investments in U.S. Treasury and agency securities, federally insured certificates of deposit, bank deposits, government-backed corporate bonds, mortgage-backed securities and Israel bonds and notes. The Federation establishes a payout rate at the beginning of each quarter. During fiscal 2017, the payout ranged from .80% - 1.10% and during fiscal 2016, the payout ranged from .80% - .90%.

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 1.7% of the MIF portfolio as of June 30, 2017 and 1.5% as of June 30, 2016. Beginning in October 2015, real estate investments were added to the MIF with a 5% target allocation. These investments totaled 3.4% of the MIF portfolio as of June 30, 2017 and 3.2% as of June 30, 2016. The Foundation is credited a pro rata share of investment returns based upon units of ownership interest.

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

Assets Held by Others

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

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

The following investments are measured at fair value on a recurring basis during the years ended June 30, 2017 and 2016, 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, 2017</i>	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 120,462	\$ -	\$ -	\$ 120,462
Investments				
Federation Money Fund	-	251,633	-	251,633
Federation Main Investment Fund	-	275,797	-	275,797
Assets held by others - Endowment	-	-	191,875	191,875
	\$ 120,462	\$ 527,430	\$ 191,875	\$ 839,767

<i>June 30, 2016</i>	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 141,514	\$ -	\$ -	\$ 141,514
Investments				
Federation Money Fund	-	45,400	-	45,400
Federation Main Investment Fund	-	236,598	-	236,598
Assets held by others - Endowment	-	-	166,787	166,787
	\$ 141,514	\$ 281,998	\$ 166,787	\$ 590,299

The remainder of this page intentionally left blank.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2017 and 2016:

	Assets Held By Others - Endowment
Balance - June 30, 2015	\$ 174,572
Total realized and unrealized losses	(7,356)
Contributions	-
Investment income	321
Distributions	(750)
Balance - June 30, 2016	166,787
Total realized and unrealized losses	24,765
Contributions	721
Investment income	352
Distributions	(750)
Balance - June 30, 2017	\$ 191,875

The changes in unrealized gains or losses relating to level 3 assets held as of June 30, 2017 and 2016 were \$24,321 and \$(7,356), respectively.

4. Endowments

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

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

Interpretation of Relevant Law

The Board of Directors (the Board) of the Foundation believes that absent explicit donor stipulations to the contrary, fiduciary standards require the preservation of the "historic dollar value" of donor-

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

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

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

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value of such fund. In accordance with GAAP, there were no deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2017 and 2016, respectively.

Return Objectives and Risk Parameters

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

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

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, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 71,875	\$ 120,000	\$ 191,875

<i>June 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 46,787	\$ 120,000	\$ 166,787

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, 2017 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	\$ -	\$ 54,572	\$ 120,000	\$ 174,572
Investment return:				
Investment income	-	321	-	321
Net depreciation (realized and unrealized)	-	(7,356)	-	(7,356)
Total investment return	-	(7,035)	-	(7,035)
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(750)	-	(750)
Endowment net assets, June 30, 2016	-	46,787	120,000	166,787
Investment return:				
Investment income	-	352	-	352
Net appreciation (realized and unrealized)	-	24,765	-	24,765
Total investment return	-	25,117	-	25,117
Contributions	-	721	-	721
Appropriation of endowment assets for expenditure	-	(750)	-	(750)
Endowment net assets, June 30, 2017	\$ -	\$ 71,875	\$ 120,000	\$ 191,875

The remainder of this page intentionally left blank.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

5. Pledges and Grants Receivable

Restricted pledges and grants receivable represent promises to give that have been made for a particular purpose by donors and/or have not yet been received by the Foundation. A portion of these donors made multiyear gifts as members of the Renaissance Society.

Restricted pledges receivable were as follows:

June 30, 2017

Receivable in less than one year	\$	37,500
Receivable in one to five years		2,000
<hr/>		
Balance - June 30, 2017	\$	39,500

All unrestricted pledges and grants receivable, \$19,322 at June 30, 2017, are expected to be collected in less than one year.

6. Debt

Building Loan Payable

On April 8, 2015, the Colorado Education and Cultural Facilities Authority (CECFA) issued up to \$3,300,000 tax exempt non-bank qualified loan (National Jewish Federation Bond Program, series U-1) and assigned the rights and obligations of the loan to Key Government Finance, Inc. The loan proceeds funded the construction, working capital and other certain financing costs related to the Foundation's building renovation (see Note 2). The Lender Retention Option occurs on April 1, 2022 and may be extended thereafter. During the year ended June 30, 2017, the loan agreement was amended to reflect the actual final outstanding borrowings of \$2,417,446. The loan amortizes over the remaining life of the loan, with the final payment due on May 1, 2032. The loan is guaranteed by Federation. As of June 30, 2017 and 2016, \$1,866,167 and \$2,417,446, respectively, was outstanding in relation to this debt.

Principal is due semi-annually in the months of November & 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 1.68384% and 1.28596% at June 30, 2017 and 2016, respectively) and is payable monthly. Interest expense, including letter of credit fees, bond issuance costs and interest rate cap fees amortization, on all debt facilities of the Organization was \$39,768 and \$22,240, for the years ended June 30, 2017 and 2016, respectively.

Building loan payable is shown net of financing fees on the statements of financial position. Financing fees of \$101,925 were incurred in conjunction with obtaining this debt facility. Amortization expense was \$5,184 and \$4,293 for the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, net deferred financing fees were \$92,448 and \$97,632, respectively.

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

The aggregate principal maturities of long-term debt, net of unamortized financing fees, as of June 30, 2017 are as follows:

<i>Year ending June 30</i>	Principal Payments
2018	\$ 110,408
2019	112,626
2020	114,889
2021	117,200
2022	119,556
Thereafter	1,291,488
Total	
	1,866,167
Less deferred financing fees	
	(92,448)
Total	
	\$ 1,773,719

Loan Payable

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

7. Net Assets

Temporarily restricted net assets are available for the following purposes:

<i>June 30,</i>	2017	2016
Building renovations and operations	\$1,652,312	\$ 2,214,558
Summer internship	75,112	71,435
Community service, scholarships and cultural programming	108,068	93,887
Time restricted contributions	4,000	10,000
Support for the arts	77,156	52,068
JCLE	10,607	13,667
Israel	5,894	7,498
Social justice	18,197	18,477
General program	32,385	30,921
Equipment	-	5,954
Total		
	\$ 1,983,731	\$ 2,518,465

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

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

<i>Years Ended June 30,</i>	2017	2016
Released for operating activities:		
Summer internship	\$ 96,112	\$ 79,041
JCLE	6,536	6,425
General program	23,219	30,431
Israel	17,104	20,833
Passage of time	2,000	11,250
Equipment	5,954	-
Social justice	280	549
Total released for operating activities	151,205	148,529
Released for non-operating activities:		
Building renovations and operations	653,207	1,087,821
Total released from restrictions operating and non-operating activities	\$ 804,412	\$ 1,236,350

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

<i>June 30,</i>	2017	2016
Support of the arts	\$ 100,000	\$ 100,000
Shabbat dinner	10,000	10,000
Periodic guest lecture	10,000	10,000
Total permanently restricted net assets	\$ 120,000	\$ 120,000

8. Pension Plan

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

The Plan is administered by Federation. Required contributions to the Plan are allocated among Federation and its agencies, including the Foundation, as calculated by an actuary. The allocation is based principally on actuarial accrued liabilities which reflect the specific demographics of each participating employer in the Plan. The Foundation's policy is to fund its share of these allocated contributions annually. For the years ended June 30, 2017 and 2016, the Foundation has recorded

Cleveland Hillel Foundation, Incorporated

Notes to Financial Statements

on its statement of activities pension plan expense of \$9,524 in each of the years. These amounts represent contributions made by the Foundation on behalf of its participants.

Benefits paid to participants and beneficiaries who were employed at the Foundation were \$98,934 in 2017 and \$98,934 in 2016.

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.

As calculated by an actuary, as of June 30, 2017 and 2016, the Foundation's share of the Plan's unfunded liability was \$606,852 and \$634,797, respectively and is reported on the statements of financial position as an accrued pension liability. The Foundation has recorded on its statements of activities a decrease of \$27,945 and an increase of \$303,853 in pension liability which represents the change in the Foundation's share of the Plan's unfunded liability for the years ended June 30, 2017 and 2016, 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 \$4,167 and \$4,305 for the years ended June 30, 2017 and 2016, respectively.

9. Lease Commitments

The Foundation leases office equipment, a car and an apartment under operating lease agreements that run through 2019. Rent expense was \$9,233 and \$19,587 for the years ended June 30, 2017 and 2016, respectively. The remaining payments required under the leases as of June 30, 2017 are \$21,626 during fiscal year ending June 30, 2018 and \$5,141 during the fiscal year ending 2019.

10. Rental Income and In-kind Contribution Free Rent

The Foundation leased office space in their former building to CWRU through the date of the building exchange (Note 2) on a month to month basis. Rental income under this lease was \$22,420 for the year ended June 30, 2016. After the building exchange, the Foundation continued to occupy the space in their former building rent free. Accordingly, an in-kind contribution and a corresponding rent expense of \$44,840 for the year ended June 30, 2016 has been recorded in the statements for the value of the free rent.

Beginning in January 2016, the Foundation leased classroom space to CWRU in the newly opened Albert and Norma Geller Hillel Student Center at CWRU under the Provision for Joint Use Agreement between CWRU and the Foundation. Rental income under this agreement was \$40,857 and \$20,429 for the years ended June 30, 2017 and 2016, respectively.