

**CLEVELAND HILLEL  
FOUNDATION,  
INCORPORATED**

*FINANCIAL  
STATEMENTS*

*FOR THE  
YEARS ENDED  
JUNE 30,  
2009 AND 2008*

**CLEVELAND HILLEL FOUNDATION, INCORPORATED**

**TABLE OF CONTENTS**

---

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Financial Position .....	2
Statements of Activities and Changes in Net Assets .....	3
Statements of Functional Expenses.....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6-18

Solon Office

32125 Solon Road

Solon, Ohio 44139

(440) 248-8787

fax (440) 248-0841

www.SSandG.com

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of financial position of Cleveland Hillel Foundation, Incorporated (the "Foundation") as of June 30, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*SS&G Financial Services Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

Cleveland, Ohio  
October 12, 2009

*Providing the  
services that  
bring solutions.*

member of:  
OSCPA, PCAOB, the AICPA's  
Center for Public Company  
Audit Firms, and The Leading  
Edge Alliance.

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash	\$ 43,620	\$ 1,800
Cash equivalents	174,316	120,429
Investments	175,764	195,538
Receivables		
Jewish Community Federation of Cleveland	20,000	22,500
Hillel International	-	2,500
Others	-	189
Pledges and grants receivable, net of allowance for uncollectible pledges of \$0 and \$3,746 at June 30, 2009 and 2008, respectively	24,469	34,227
Assets held by others	123,476	162,610
Other assets	454	454
Prepaid expenses	-	8,750
Deposits	-	25,000
Property		
Land	16,793	16,793
Buildings and improvements	794,553	794,553
Furniture and equipment	285,236	282,229
	<u>1,096,582</u>	<u>1,093,575</u>
Less accumulated depreciation	<u>(1,072,863)</u>	<u>(1,063,938)</u>
	<u>23,719</u>	<u>29,637</u>
<b>TOTAL ASSETS</b>	<u>\$ 585,818</u>	<u>\$ 603,634</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	2,704	\$ 14,391
Accrued pension liability (Note G)	454,501	308,023
Loans payable - Jewish Community Federation of Cleveland	24,610	28,658
Deferred deposits	<u>2,200</u>	<u>2,200</u>
<b>TOTAL LIABILITIES</b>	<b>484,015</b>	353,272
Net assets		
Unrestricted	(317,459)	(159,894)
Temporarily restricted	299,262	400,256
Permanently restricted	<u>120,000</u>	<u>10,000</u>
<b>TOTAL NET ASSETS</b>	<u>101,803</u>	<u>250,362</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 585,818</u>	<u>\$ 603,634</u>

See accompanying notes to financial statements.

**CLEVELAND HILLEL FOUNDATION, INCORPORATED**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Jewish Community Federation of Cleveland:								
Allocation - Current year	\$ 639,884	\$ -	\$ -	\$ 639,884	\$ 629,316	\$ -	\$ -	\$ 629,316
Allocation - Fiscal year ending June 30, 2010	24,100	-	-	24,100	-	-	-	-
Contributions and other grants	92,199	174,675	-	266,874	91,838	196,174	-	288,012
Allocation and grants from Hillel International	14,265	-	-	14,265	12,699	-	-	12,699
Program service fees	15,524	-	-	15,524	7,972	-	-	7,972
Rental income	49,095	-	-	49,095	31,519	-	-	31,519
Special events	37,875	-	-	37,875	21,300	-	-	21,300
Interest and dividend income	5,329	1,237	-	6,566	4,134	2,233	-	6,367
Net realized and unrealized (loss) on investments	(33,714)	(13,938)	-	(47,652)	(1,680)	(10,635)	-	(12,315)
Income from assets held by others	-	818	-	818	-	5,842	-	5,842
Unrealized (loss) on assets held by others	(20,109)	(13,872)	-	(33,981)	-	(9,958)	-	(9,958)
Miscellaneous income	1,700	-	-	1,700	909	-	-	909
Net assets released from restrictions	139,914	(139,914)	-	-	92,222	(92,222)	-	-
	<u>966,062</u>	<u>9,006</u>	<u>-</u>	<u>975,068</u>	<u>890,229</u>	<u>91,434</u>	<u>-</u>	<u>981,663</u>
EXPENSES:								
Program services	704,187	-	-	704,187	648,879	-	-	648,879
Management and general services	211,642	-	-	211,642	229,871	-	-	229,871
Fundraising	61,320	-	-	61,320	63,282	-	-	63,282
	<u>977,149</u>	<u>-</u>	<u>-</u>	<u>977,149</u>	<u>942,032</u>	<u>-</u>	<u>-</u>	<u>942,032</u>
SUPPORT AND REVENUE (UNDER) OVER EXPENSES	(11,087)	9,006	-	(2,081)	(51,803)	91,434	-	39,631
CHANGE IN UNFUNDED PENSION LIABILITY	(146,478)	-	-	(146,478)	(35,025)	-	-	(35,025)
CHANGE IN NET ASSETS	(157,565)	9,006	-	(148,559)	(86,828)	91,434	-	4,606
RECLASSIFICATION OF NET ASSETS	-	(110,000)	110,000	-	-	-	-	-
NET ASSETS, BEGINNING OF YEAR	(159,894)	400,256	10,000	250,362	(73,066)	308,822	10,000	245,756
NET ASSETS, END OF YEAR	<u>\$ (317,459)</u>	<u>\$ 299,262</u>	<u>\$ 120,000</u>	<u>\$ 101,803</u>	<u>\$ (159,894)</u>	<u>\$ 400,256</u>	<u>\$ 10,000</u>	<u>\$ 250,362</u>

See accompanying notes to financial statements.

**CLEVELAND HILLEL FOUNDATION, INCORPORATED**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	2009				2008			
	Program Services	Management and General Services	Fundraising	Total	Program Services	Management and General Services	Fundraising	Total
Salaries and wages	\$ 376,776	\$ 107,650	\$ 53,825	\$ 538,251	\$ 359,074	\$ 102,594	\$ 51,296	\$ 512,964
Supplies	109,432	1,168	1,169	111,769	72,170	3,280	6,561	82,011
Employee benefits	75,477	48,961	3,838	128,276	86,261	57,020	2,925	146,206
Occupancy	53,987	15,170	-	69,157	68,926	17,231	-	86,157
Special event - Dershowitz	23,675	-	-	23,675	-	-	-	-
Israel Fellow	16,053	-	-	16,053	-	-	-	-
Printing	10,807	2,705	-	13,512	7,190	1,798	-	8,988
Depreciation	8,033	892	-	8,925	7,899	878	-	8,777
Office equipment	5,736	871	-	6,607	5,748	1,916	-	7,664
Professional services	5,489	20,879	-	26,368	8,913	20,274	-	29,187
Telephone	5,307	1,326	-	6,633	5,687	1,422	-	7,109
Advertising	4,244	-	1,135	5,379	3,842	-	960	4,802
Conferences	3,529	1,079	-	4,608	8,854	2,214	-	11,068
Postage	2,212	972	1,164	4,348	3,153	1,153	1,359	5,665
Subscriptions and publications	1,162	101	189	1,452	1,078	91	181	1,350
Transportation	1,908	1,907	-	3,815	1,634	1,634	-	3,268
Scholarships	360	-	-	360	450	-	-	450
Miscellaneous	-	3,898	-	3,898	-	3,289	-	3,289
Bank service charges	-	2,142	-	2,142	-	378	-	378
Staff recruitment	-	1,308	-	1,308	-	1,319	-	1,319
Uncollectible pledges	-	613	-	613	-	146	-	146
Building initiative expense	-	-	-	-	-	13,234	-	13,234
Donation of land to KSU	-	-	-	-	8,000	-	-	8,000
<b>TOTAL EXPENSES</b>	<b>\$ 704,187</b>	<b>\$ 211,642</b>	<b>\$ 61,320</b>	<b>\$ 977,149</b>	<b>\$ 648,879</b>	<b>\$ 229,871</b>	<b>\$ 63,282</b>	<b>\$ 942,032</b>

*See accompanying notes to financial statements.*

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (148,559)	\$ 4,606
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
Depreciation	8,925	8,777
Donation of land to Kent State University	-	8,000
Uncollectible pledges	613	146
Net loss on investments	47,652	12,315
Net loss from assets held by others	33,164	4,116
Increase in accrued pension liability	146,478	35,025
Changes in operating assets and liabilities		
Receivables	14,334	7,567
Deposits and prepaids	33,750	(33,750)
Accounts payable and accrued expenses	(11,687)	(35,199)
Deferred deposits	-	2,200
<b>NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES</b>	<b>124,670</b>	<b>13,803</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property	(3,007)	(4,527)
Proceeds from sale of investments	4,760	24,811
Purchase of investments	(32,638)	(8,424)
Proceeds from distribution of assets held by others	5,970	5,740
<b>NET CASH AND CASH EQUIVALENTS (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(24,915)</b>	<b>17,600</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans payable	2,827	17,782
Repayment of loans payable	(6,875)	(5,382)
<b>NET CASH AND CASH EQUIVALENTS (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<b>(4,048)</b>	<b>12,400</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>95,707</b>	<b>43,803</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>122,229</b>	<b>78,426</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 217,936</b>	<b>\$ 122,229</b>

*See accompanying notes to financial statements.*

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE A - 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 Case Western Reserve University, 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, and Baldwin-Wallace College. The Foundation receives an allocation from the annual campaign of The Jewish Community Federation of Cleveland (the "JCF") and follows certain guidelines established by the JCF.

#### Basis of presentation

The Foundation's financial statements have been prepared, in all material respects, as recommended by the American Institute of Certified Public Accountants' (AICPA) Audit and Accounting Guide, Not-for-Profit Organizations. The audit guide includes the requirements of the Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 activity, primarily the JCF annual allocation, investment gains and losses and donations with no donor imposed restrictions, offset by programming, management and fundraising expenses. As of June 30, 2009 and 2008, unrestricted net assets is listed as a negative balance, due in large part to the accrual of pension expense as described more fully in Note G.

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 and other receipts of assets whose use by the Foundation is restricted in perpetuity.



# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE A - Summary of significant accounting policies, continued

#### Cash and cash equivalents

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

#### Investments

Investment funds are stated at fair market value as determined by the fund manager based upon the market values of the underlying assets of the funds with gains or losses included in the Statements of Activities and Changes in Net Assets.

#### Pledges receivable

The Foundation provides allowances for uncollectible pledges based upon prior experience and management's assessment of the collectability of specific existing pledges. 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.

#### Property and equipment

Land, buildings, 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. Assets greater than \$2,500 are capitalized. Expenditures for minor equipment, maintenance, and repairs are charged to expense as incurred.

#### Assets held by others

The Foundation is a beneficiary of three funds held by the JCF; the Louis E. Emsheimer Hillel Arts Memorial Fund, the George B. and Elsa Golden Memorial Lecture Fund, and the Ruth Hoffman Memorial Endowment Fund. The Foundation receives annual distributions for various purposes from these funds.

#### 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, no amounts are reported in the financial statements for donated services since no objective basis is available to measure the value of such services.

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE A - Summary of significant accounting policies, continued

#### Donated services, continued

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 the Oberlin College. These costs are not the obligation of the Foundation and therefore are not reflected in these financial statements.

#### Advertising expense

Advertising is expensed as incurred. The Foundation incurred \$5,379 and \$4,802 of advertising expense for the years ended June 30, 2009 and 2008, respectively.

#### 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 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 B.

#### Use of estimates

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

#### Recent accounting pronouncements

On July 1, 2008, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurement* (SFAS No. 157). SFAS No. 157 establishes a fair value measurement framework, provides a single definition of fair value, and requires expanded disclosures summarizing fair value measurements. SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability. The expanded disclosures have been included in Note B.

In August 2008, the Financial FASB issued FASB Staff Position No. FAS 117-1 (FSP 117-1 or the "FSP"), *Endowments of Not-for-Profit Organizations – Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure for All Endowment Funds*. FSP 117-1, effective for fiscal years ending after December 15, 2008, 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 has adopted FSP 117-1 for the year ended June 30, 2009.

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### **NOTE A - Summary of significant accounting policies, continued**

#### *Recent accounting pronouncements, continued*

The FSP requires expanded disclosures surrounding the Foundation's endowment funds. The state of Ohio passed UPMIFA legislation in January, 2009 as HB-522 (HB-522, or "Ohio UPMIFA"), and the legislation became effective on June 1, 2009. For states (including Ohio) which have enacted UPMIFA, the FSP may also require retrospective reclassification of net assets between unrestricted, temporarily restricted and/or permanently restricted categories. The expanded disclosures (as well as the details of the Foundation's retrospective reclassification) have been included in Note C.

#### *Evaluation of subsequent events*

The Foundation has evaluated subsequent events through October 12, 2009, 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, other than as disclosed in note G.

### **NOTE B - Adoption of Statement of Financial Accounting Standards No. 157**

SFAS No.157 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 identical 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 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.

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### **NOTE B - Adoption of Statement of Financial Accounting Standards No. 157, continued**

The following is a description of the valuation techniques used for investments measured at fair value:

#### Cash and cash equivalents

Cash equivalents are classified within Level 1 or Level 2 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.

#### Marketable securities

Investments in marketable equity and fixed income securities listed or traded on any national market or exchange are valued at the last sale prices as of the close of the principal securities exchange on which such securities are traded or, if there is no sale, at the mean of the last bid and asked prices on such exchange, exclusive of transaction costs. Such marketable securities are classified within Level 1 of the valuation hierarchy.

Debt securities, other than money market instruments, are generally valued at the most recent bid price of the equivalent quoted yield for such securities (or those of comparable maturity, quality and type). Money market instruments with maturities of one year or less are valued in the same manner as debt securities. Debt securities are generally classified within Level 2 of the valuation hierarchy.

#### Jewish Community Federation of Cleveland pooled funds

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

##### Main Investment Fund

MIF is comprised of fixed income and equity investments for which the Foundation is credited a pro rata share of investment returns based upon units of ownership interest.

##### Money Fund

The Money Fund is comprised primarily of investments in U.S. Treasury and agency securities, federally insured certificates of deposit and Israel Bonds. The Manager establishes a payout rate at the beginning of each quarter. During fiscal 2009 the payout ranged from 1.5% - 3.0% and during fiscal 2008 the payout ranged from 2.75% - 4.5%.

##### Marketable Alternatives Program

The MAP is a portfolio of investments that are relatively uncorrelated to the U.S. equities market. The investment objective of the MAP is a return of 6 percentage points above U.S. T-Bills with less than half the volatility of the S & P 500 Index. The MAP investments are generally in the form of limited partnerships and offshore corporations. The Foundation is credited with investment returns based on their pro rata share of ownership interest of MAP.

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE B - Adoption of Statement of Financial Accounting Standards No. 157, continued

The fair value of the pooled investments (MIF, Money Fund and MAP) held by the Foundation is based on the net asset value (“NAV”) of units held at year end. Although these investments include marketable securities, the pooled investments have been classified within level 3 as they have significant unobservable inputs, are not traded in an active market, are subject to liquidity restrictions and are non-transferable. While the Foundation 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.

The following investments are measured at fair value on a recurring basis during the year ended June 30, 2009, using unadjusted quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 174,316	\$ -	\$ -	\$ 174,316
Investments				
Pooled JCF funds	-	-	175,764	175,764
Assets held by others				
Pooled JCF funds	<u>-</u>	<u>-</u>	<u>123,476</u>	<u>123,476</u>
Total investments	<u>\$ 174,316</u>	<u>\$ -</u>	<u>\$ 299,240</u>	<u>\$ 473,556</u>

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 year ended June 30, 2009:

	<u>Investments</u>	<u>Assets Held by Others</u>	<u>Total Level 3 Investments</u>
Beginning balance - July 1, 2008	\$ 195,538	\$ 162,610	\$ 358,148
Total realized and unrealized loss	(47,571)	(33,164)	(76,511)
Net transfers out of Level 3	(4,760)	(5,970)	(10,730)
Purchases, sales, and settlements	<u>32,557</u>	<u>-</u>	<u>28,333</u>
Ending balance - June 30, 2009	<u>\$ 175,764</u>	<u>\$ 123,476</u>	<u>\$ 299,240</u>

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE C - Adoption of FASB Staff Position 117-1

The Foundation's endowments consist of three individual funds identified as Assets Held by Others and disclosed more fully in Note A. 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 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 the 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, deficiencies of this nature that are reported in unrestricted net assets were \$20,109 as of June 30, 2009. These deficiencies were the result of losses in global investment markets sustained during the year ended June 30, 2009.

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE C - Adoption of FASB Staff Position 117-1, continued

#### Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of 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 Trustees, 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 amount.

#### 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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### Spending policy and how the investment objectives relate to spending policy

The Foundation has a policy of appropriating for distribution each year 5.5% percent of its endowment fund's average fair value over the prior 12 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

#### Endowment net asset composition by type of fund as of June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ (20,109)</u>	<u>\$ 23,583</u>	<u>\$ 120,000</u>	<u>\$ 123,476</u>

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE C - Adoption of FASB Staff Position 117-1, continued

*Change in endowment net assets for the fiscal year ended June 30, 2009:*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 152,609	\$ 10,000	\$ 162,609
Investment return:				
Investment income	-	818	-	818
Net appreciation/ depreciation (realized and unrealized)	<u>(20,109)</u>	<u>(13,872)</u>	<u>-</u>	<u>(33,981)</u>
Total investment return	(20,109)	(13,054)	-	(33,163)
Appropriation of endowment assets for expenditure	-	(5,970)	-	(5,970)
Reclassifications	<u>-</u>	<u>(110,000)</u>	<u>110,000</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ (20,109)</u>	<u>\$ 23,585</u>	<u>\$ 120,000</u>	<u>\$ 123,476</u>

The reclassification is the result of reclassifying \$100,000 and \$10,000 from the Louis E. Emsheimer Hillel Arts Memorial Fund and the Ruth Hoffman Memorial Endowment Fund whereby the original gift was given to be maintained in perpetuity.

### NOTE D - Investments

Investments consist principally of funds held by the JCF on behalf of the Foundation. The Foundation has signed an investment agreement with the JCF.

The fair market value of investments is as follows as of June 30:

	<u>2009</u>	<u>2008</u>
JCF Money Fund	\$ 48,488	\$ 691
JCF Main Investment Fund	<u>147,276</u>	<u>194,847</u>
	<u>\$ 175,764</u>	<u>\$ 195,538</u>



# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE E - Loans payable

The Foundation received unsecured, interest-free loans from the JCF to pay certain operating and capital costs. During the years ended June 30, 2009 and 2008, JCF loaned the Foundation \$2,827 and \$17,782 for HVAC repairs. As of June 30, 2009, the loans are due in installments as follows:

Year ending June 30,	Window	Front Steps	HVAC	HVAC		Total
	Repairs			Improvements	Chiller	
2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011	936	540	3,556	1,882	525	7,439
2012	936	-	3,556	1,882	525	6,899
2013	936	-	3,556	565	525	5,582
2014	-	-	3,558	565	-	4,123
2015	-	-	-	567	-	567
Total	<u>\$ 2,808</u>	<u>\$ 540</u>	<u>\$ 14,226</u>	<u>\$ 5,461</u>	<u>\$ 1,575</u>	<u>\$ 24,610</u>

### NOTE F- Net assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2009</u>	<u>2008</u>
General program	\$ 10,343	\$ 20,377
Israel	58,449	54,497
Social justice	17,406	20,238
Personnel	15,067	12,567
Administrative	4,071	10,110
Summer internship	87,488	58,799
New building initiative	25,000	-
Lecture funds	23,583	153,112
Community service, scholarships and cultural programming	<u>57,855</u>	<u>70,556</u>
Total	<u>\$ 299,262</u>	<u>\$ 400,256</u>

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE F - Net assets, continued

Net assets were released from donor restrictions by incurring costs satisfying the restricted purposes as follows during the years ended June 30:

	<u>2009</u>	<u>2008</u>
General program	\$ 18,270	\$ 1,335
Israel	42,548	27,287
Social justice	5,832	3,749
Personnel	-	29,939
Administrative	13,539	10,971
Summer internship	54,314	13,201
Support for the arts	<u>5,411</u>	<u>5,740</u>
Total released from restrictions	<u>\$ 139,914</u>	<u>\$ 92,222</u>

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

	<u>2009</u>	<u>2008</u>
Shabbat dinner	\$ 10,000	\$ -
Periodic guest lecture	10,000	10,000
Support of the arts	<u>100,000</u>	<u>-</u>
Total permanently restricted net assets	<u>\$ 120,000</u>	<u>\$ 10,000</u>

As discussed more fully in Note C, \$110,000 of temporarily restricted net assets were reclassified in 2009 to permanently restricted net assets to properly reflect the donors' wishes.

### NOTE G - Pension Plan

All eligible staff of the Foundation who met the eligibility requirements on or before January 1, 2009, are included in The Jewish Community Federation 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 JCF 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.

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE G - Pension Plan, continued

The Plan is administered by the JCF. Required contributions to the Plan are allocated among the JCF and its agencies, including the Foundation, as calculated by an actuary. The allocation is based principally on directly calculated normal cost and 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, as well as the costs for separate long-term disability and life insurance coverage which were provided to all Plan participants until June 30, 2009. For the years ended June 30, 2009 and 2008, the Foundation has recorded on its Statement of Activities pension plan expense of \$38,591 and \$50,327, respectively. 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 \$3,802 for each of the years ending June 30, 2009 and 2008.

As of July 1, 2009, the Foundation began participation in the JCF's "403b" retirement program. 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.

#### *Accrued pension*

The Plan is currently underfunded. On June 30, 2004, the JCF approved an expenditure of up to \$5 million (in addition to contributions otherwise made by JCF for its employees), payable over seven years, for contribution to the Retirement Plan Trust on behalf of all participating agencies (the "bridge funding".) These expenditures were conditioned on participating agencies, in total, increasing their annual contribution for the Retirement Plan costs (including the separate long-term disability and life insurance plan costs) by 25% in the 2004/05 fiscal year, and 8.5% per year for eleven years thereafter, subject to future modifications, as deemed appropriate. Each agency's share of this annual increase was to be determined annually based on updated census data. Due to the Plan's freeze, the requirement of 8.5% annual increases in employer contributions has been suspended, and the policy regarding future annual contributions to the Plan has not yet been determined. However, the JCF will continue to contribute its bridge funding until the total of \$5 million has been contributed.

As of July 1, 2004, all participating agencies were required to execute an instrument of adoption to formalize the relationship between the JCF and the agencies participating in the Plan. Following the execution of that instrument of adoption, the Foundation first recorded its share of the Plan's underfunding in 2005. As calculated by an actuary, as of June 30, 2009 and 2008 the Foundation's share of the unfunded liability was \$471,361 and \$334,017, respectively. The unfunded liability net of the bridge funding as of June 30, 2009 and 2008 was \$454,501, and \$308,023, respectively, and is reported on the Statements of Financial Position as an accrued liability. The Foundation has recorded on its Statement of Activities \$146,478 and \$35,025 in change in pension liability which represents the change in the Foundation's share of the Plan's unfunded liability (net of bridge funding) for the years ended June 30, 2009 and 2008, respectively.

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

---

### **NOTE H - Lease commitments**

The Foundation leases office equipment under operating lease agreements. Rent expense was \$5,623 and \$5,681 in the years ended June 30, 2009 and 2008, respectively. The remaining payment required under the lease as of June 30, 2009 is \$1,874 to be paid during the year ending June 30, 2010.

### **NOTE I - Rental income**

During the year, the Foundation entered into a lease agreement to lease office space to the University through June 30, 2009. Annual rent income under this lease is \$40,016. The lease has been extended through September 30, 2010, and may be extended annually by the University for up to two more years.