

**CLEVELAND HILLEL
FOUNDATION,
INCORPORATED**

*FINANCIAL
STATEMENTS*

*FOR THE
YEARS ENDED
JUNE 30,
2011 AND 2010*

CLEVELAND HILLEL FOUNDATION, INCORPORATED

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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, 2011 and 2010, 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, 2011 and 2010, 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

November 1, 2011

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CLEVELAND HILLEL FOUNDATION, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

	<u>JUNE 30,</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 45,462	\$ 40,221
Cash equivalents	243,630	212,061
Investments	233,091	193,753
Receivables		
Unrestricted pledges and grants	3,016	5,732
Restricted pledges and grants	16,750	2,509
Other	4,436	200
Assets held by others	150,356	131,111
Other assets	2,314	254
Property		
Land	16,793	16,793
Buildings and improvements	794,553	794,553
Furniture and equipment	287,136	287,136
	<u>1,098,482</u>	<u>1,098,482</u>
Less accumulated depreciation	<u>(1,079,019)</u>	<u>(1,076,474)</u>
	<u>19,463</u>	<u>22,008</u>
TOTAL ASSETS	<u>\$ 718,518</u>	<u>\$ 607,849</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 30,238	\$ 19,272
Accrued pension liability (Note F)	299,815	406,968
Loans payable - Jewish Federation of Cleveland	25,771	27,370
Deferred deposits	2,200	2,200
TOTAL LIABILITIES	<u>358,024</u>	<u>455,810</u>
Net assets		
Unrestricted	(121,976)	(272,899)
Temporarily restricted	362,470	304,938
Permanently restricted	120,000	120,000
TOTAL NET ASSETS	<u>360,494</u>	<u>152,039</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 718,518</u>	<u>\$ 607,849</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, 2011 AND 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Jewish Federation of Cleveland:								
Allocation - current year	\$ 608,222	\$ -	\$ -	\$ 608,222	\$ 614,565	\$ -	\$ -	\$ 614,565
Allocation - advance	-	-	-	-	(24,100)	-	-	(24,100)
Contributions and other grants	113,813	192,119	-	305,932	90,334	136,229	-	226,563
Allocation and grants from Hillel International	23,199	-	-	23,199	13,699	-	-	13,699
Program service fees	20,784	-	-	20,784	6,968	-	-	6,968
Rental income	49,886	-	-	49,886	49,189	-	-	49,189
Special events	10,500	-	-	10,500	29,811	-	-	29,811
Interest and dividend income	908	599	-	1,507	2,137	927	-	3,064
Net realized and unrealized gain on investments	25,223	12,754	-	37,977	10,118	5,109	-	15,227
Income from assets held by others	21	2,149	-	2,170	155	132	-	287
Unrealized gain on assets held by others	15,965	6,628	-	22,593	9,553	3,303	-	12,856
Miscellaneous income	-	-	-	-	603	-	-	603
Net assets released from restrictions	148,151	(148,151)	-	-	140,024	(140,024)	-	-
	<u>1,016,672</u>	<u>66,098</u>	<u>-</u>	<u>1,082,770</u>	<u>943,056</u>	<u>5,676</u>	<u>-</u>	<u>948,732</u>
EXPENSES:								
Program services	696,280	-	-	696,280	672,945	-	-	672,945
Management and general services	213,454	-	-	213,454	205,074	-	-	205,074
Fundraising	71,734	-	-	71,734	68,010	-	-	68,010
	<u>981,468</u>	<u>-</u>	<u>-</u>	<u>981,468</u>	<u>946,029</u>	<u>-</u>	<u>-</u>	<u>946,029</u>
SUPPORT AND REVENUE OVER (UNDER) EXPENSES	35,204	66,098	-	101,302	(2,973)	5,676	-	2,703
DECREASE IN UNFUNDED PENSION LIABILITY	<u>107,153</u>	<u>-</u>	<u>-</u>	<u>107,153</u>	<u>47,533</u>	<u>-</u>	<u>-</u>	<u>47,533</u>
CHANGE IN NET ASSETS	142,357	66,098	-	208,455	44,560	5,676	-	50,236
RECLASSIFICATION OF NET ASSETS	8,566	(8,566)	-	-	-	-	-	-
NET ASSETS, BEGINNING OF YEAR	<u>(272,899)</u>	<u>304,938</u>	<u>120,000</u>	<u>152,039</u>	<u>(317,459)</u>	<u>299,262</u>	<u>120,000</u>	<u>101,803</u>
NET ASSETS, END OF YEAR	<u>\$ (121,976)</u>	<u>\$ 362,470</u>	<u>\$ 120,000</u>	<u>\$ 360,494</u>	<u>\$ (272,899)</u>	<u>\$ 304,938</u>	<u>\$ 120,000</u>	<u>\$ 152,039</u>

See accompanying notes to financial statements.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011				2010			
	Program Services	Management and General Services	Fundraising	Total	Program Services	Management and General Services	Fundraising	Total
Salaries and wages	\$ 389,522	\$ 111,292	\$ 55,646	\$ 556,460	\$ 378,828	\$ 108,236	\$ 54,118	\$ 541,182
Employee benefits	80,780	52,028	4,107	136,915	74,110	47,732	3,768	125,610
Supplies	100,195	4,554	9,109	113,858	86,184	3,917	7,835	97,936
Occupancy	54,220	13,555	-	67,775	54,826	13,707	-	68,533
Professional services	4,873	17,276	-	22,149	4,893	17,347	-	22,240
Israel Fellow	15,143	-	-	15,143	14,000	-	-	14,000
Printing	9,771	2,443	-	12,214	13,878	3,469	-	17,347
Special event	7,659	-	-	7,659	21,148	-	-	21,148
Conferences	5,867	1,467	-	7,334	2,216	554	-	2,770
Telephone	4,905	1,226	-	6,131	5,064	1,266	-	6,330
Office equipment	4,267	1,422	-	5,689	4,528	1,509	-	6,037
Advertising	4,110	-	1,027	5,137	4,954	-	1,239	6,193
Postage	2,832	1,011	1,213	5,056	2,356	841	1,010	4,207
Web site and IT	3,449	302	561	4,312	-	-	-	-
Transportation	2,082	2,082	-	4,164	1,312	1,313	-	2,625
Scholarships	3,875	-	-	3,875	1,150	-	-	1,150
Service charges	-	3,652	-	3,652	-	4,366	-	4,366
Depreciation	2,290	255	-	2,545	3,250	361	-	3,611
Miscellaneous	-	775	-	775	-	220	-	220
Subscriptions and publications	440	38	71	549	248	22	40	310
Staff recruitment	-	76	-	76	-	72	-	72
Building initiative expense	-	-	-	-	-	142	-	142
TOTAL EXPENSES	\$ 696,280	\$ 213,454	\$ 71,734	\$ 981,468	\$ 672,945	\$ 205,074	\$ 68,010	\$ 946,029

See accompanying notes to financial statements.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 208,455	\$ 50,236
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	2,545	3,611
Uncollectible pledges	250	-
Net gain on investments	(37,977)	(15,227)
Net change in assets held by others	(19,245)	(7,635)
Decrease in accrued pension liability	(107,153)	(47,533)
Changes in operating assets and liabilities		
Receivables	(16,011)	36,028
Other assets	(2,060)	200
Accounts payable and accrued expenses	<u>10,966</u>	<u>16,568</u>
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	39,770	36,248
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property	-	(1,900)
Purchase of investments	<u>(1,361)</u>	<u>(2,762)</u>
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	(1,361)	(4,662)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds	-	2,760
Repayment of loans payable	<u>(1,599)</u>	<u>-</u>
NET CASH AND CASH EQUIVALENTS (USED IN) PROVIDED BY FINANCING ACTIVITIES	(1,599)	2,760
NET INCREASE IN CASH AND CASH EQUIVALENTS	36,810	34,346
CASH AND CASH EQUIVALENTS, beginning of year	<u>252,282</u>	<u>217,936</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 289,092</u>	<u>\$ 252,282</u>

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 undergraduate, graduate and professional students attending 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, Baldwin-Wallace College, Lakeland Community College, and Siegal College. The Foundation also provides a Summer Internship Program and summer social events for Cleveland based students and year-round programming for Cleveland based young professionals. The Foundation receives for JCLE 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 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 and changes in net assets 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. As of June 30, 2011 and 2010, unrestricted net assets are listed as a negative balance, due in large part to the accrual of pension expense as described more fully in Note F. 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.

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 and investment income

The Foundation accounts for investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values 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. Losses that reduce the fair value of permanently restricted gifts below the historic dollar value of the original gift are reported as a reduction in unrestricted net assets (see Note C). Any subsequent gains are first used to replenish the unrestricted net assets that were reduced.

Pledges and grants receivable

The Foundation provides allowances for uncollectible receivables based upon prior experience and management's assessment of the collectability of specific existing receivables. 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, 2011 and 2010.

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. 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 Federation; Louis E. Emsheimer Hillel Arts Memorial Fund, 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. The corpus is recorded as a permanently restricted asset.

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.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies, continued

Donated services

A substantial number of volunteers donate significant amounts of time to the Foundation's program services. However, no amounts are reported in the financial statements for donated services since no objective basis is available to measure the value of such services.

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.

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).

Effective July 1, 2009, the Foundation adopted the accounting guidance for uncertainty in income taxes. The Foundation's income tax filings are subject to audit by various taxing authorities. The Foundation's open audit periods are 2008 through 2011. In evaluating the Foundation's activities, the Foundation believes its position of tax-exempt status is current based on current facts and circumstances. The Foundation has further assessed that there are no activities unrelated to the purpose of the Foundation and therefore no tax is to be recognized.

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, 2011 and 2010.

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 B.

During the years ended June 30, 2011 and 2010, total contribution revenue of 60% and 62%, respectively was received from Federation. As of June 30, 2011, the Foundation had no other significant concentration of credit risk.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies, continued

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 pronouncement

In January 2010, the FASB issued Accounting Standards Update (“ASU”) 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. ASU 2010-06 revises two disclosure requirements concerning fair value measurements and clarifies two others. It requires separate presentation of significant transfers into and out of Levels 1 and 2 of the fair value hierarchy and disclosure of the reasons for such transfers. It also requires the presentation of purchases, sales, issuances and settlements within Level 3 on a gross basis rather than a net basis. These new disclosure requirements were first applied to the Foundation’s financial statements as of June 30, 2010 and had no material impact. The gross presentation of Level 3 activity, effective for the financial statements for the periods beginning after December 15, 2010, will be presented in future financial statement disclosures and will not have a material impact on those disclosures.

Reclassifications

Certain amounts in 2010 have been reclassified to conform to the 2011 presentation.

Evaluation of subsequent events

The Foundation has evaluated subsequent events through November 1, 2011, 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.

NOTE B - Fair value measurements

Generally accepted accounting principles 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 cash equivalents, investments and assets held by others 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 cash equivalents, investments and assets held by others at fair value based on the best information available in the circumstances.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE B - Fair value measurements, continued

Investments and assets held by others 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.

Assets held by others

In accordance with generally accepted accounting principles, assets held by others have been classified as Level 3 of the fair value hierarchy as they are considered a beneficial interest in the net assets of Federation and are not traded in the active market.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE B - Fair value measurements, continued

Jewish Federation of Cleveland pooled funds

The Federation Main Investment Fund (MIF) and Money Fund 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. Treasury and agency securities, federally insured certificates of deposit, bank deposits, government-backed corporate bonds, mortgage-backed securities and Israel Bonds. Federation establishes a payout rate at the beginning of each quarter. During fiscal 2011 the payout rate was 1.15% and during fiscal 2010 the payout ranged from 1.25% - 1.5%.

Main Investment Fund

MIF is comprised primarily 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.

The fair value of the pooled investments (MIF and Money Fund) held by the Foundation is based on the net asset value (NAV) of units held at year end. Investments in the MIF and the Money Fund were transferred out of Level 3 due to clarifying guidance issued during fiscal year 2010. As a result of this interpretation, it was determined that these investments qualified as Level 2. 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 and assets held by others are measured at fair value on a recurring basis during the years ended June 30, 2011 and 2010, 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>June 30, 2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 243,630	\$ -	\$ -	\$ 243,630
Investments				
Federation Money Fund	-	32,608	-	32,608
Federation Main Investment Fund	-	200,483	-	200,483
Assets held by others	<u>-</u>	<u>-</u>	<u>150,356</u>	<u>150,356</u>
Total investments	<u>\$ 243,630</u>	<u>\$ 233,091</u>	<u>\$ 150,356</u>	<u>\$ 627,077</u>

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE B - Fair value measurements, continued

<u>Description</u>	<u>June 30, 2010</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 212,061	\$ -	\$ -	\$ 212,061
Investments				
Federation Money Fund	-	31,250	-	31,250
Federation Main Investment Fund	-	162,503	-	162,503
Assets held by others	<u>-</u>	<u>-</u>	<u>131,111</u>	<u>131,111</u>
Total investments	<u>\$ 212,061</u>	<u>\$ 193,753</u>	<u>\$ 131,111</u>	<u>\$ 536,925</u>

The following is a reconciliation of the beginning and ending balances for investments and assets held by others measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2011 and 2010:

	<u>Investments</u>	<u>Assets Held by Others</u>	<u>Total Level 3 Investments</u>
Balance – July 1, 2009	\$ 175,764	\$ 123,476	\$ 299,240
Total realized and unrealized gains	15,227	12,856	28,083
Net transfers out of Level 3	(193,753)	-	(193,753)
Purchases, sales, and settlements, net	<u>2,762</u>	<u>(5,221)</u>	<u>(2,459)</u>
Balance - June 30, 2010	-	131,111	131,111
Total realized and unrealized gains	-	22,593	22,593
Purchases, sales, and settlements, net	<u>-</u>	<u>(3,348)</u>	<u>(3,348)</u>
Balance - June 30, 2011	<u>\$ -</u>	<u>\$ 150,356</u>	<u>\$ 150,356</u>

Change in unrealized gains and losses relating to assets held as of June 30, 2011 and 2010 were \$22,593 and \$12,856.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE C - 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 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 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

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE C - Endowments, continued

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 \$2,111 and \$14,427 as of June 30, 2011 and 2010, respectively. These deficiencies were the result of losses in global investment markets sustained in prior years.

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.

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 Foundation has a policy of appropriating for distribution each year 4.5% percent of its endowment fund's average fair value over the prior 4 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.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE C - Endowments, continued

Endowment net asset composition by type of fund as of:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	June 30, 2011			
Donor-restricted endowment funds	<u>\$ (2,111)</u>	<u>\$ 32,467</u>	<u>\$ 120,000</u>	<u>\$ 150,356</u>
	June 30, 2010			
Donor-restricted endowment funds	<u>\$ (14,427)</u>	<u>\$ 25,538</u>	<u>\$ 120,000</u>	<u>\$ 131,111</u>

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE C - Endowments, continued

Change in endowment net assets for the fiscal years ended June 30, 2011 and 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2009	\$ (20,109)	\$ 23,585	\$ 120,000	\$ 123,476
Investment return:				
Investment income	155	132	-	287
Net appreciation (realized and unrealized)	<u>9,553</u>	<u>3,303</u>	<u>-</u>	<u>12,856</u>
Total investment return	9,708	3,435	-	13,143
Appropriation of endowment assets for expenditure	<u>(4,026)</u>	<u>(1,482)</u>	<u>-</u>	<u>(5,508)</u>
Endowment net assets, June 30, 2010	(14,427)	25,538	120,000	131,111
Investment return:				
Investment income	21	2,149	-	2,170
Net appreciation (realized and unrealized)	<u>15,965</u>	<u>6,628</u>	<u>-</u>	<u>22,593</u>
Total investment return	15,986	8,777	-	24,763
Transfers	152	(152)	-	-
Contributions	-	306	-	306
Appropriation of endowment assets for expenditure	<u>(3,822)</u>	<u>(2,002)</u>	<u>-</u>	<u>(5,824)</u>
Endowment net assets, June 30, 2011	<u>\$ (2,111)</u>	<u>\$ 32,467</u>	<u>\$ 120,000</u>	<u>\$ 150,356</u>

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE D - Loans payable

The Foundation has several unsecured, interest-free loans from Federation used to pay certain operating and capital costs. As of June 30, 2011, the loans are due in installments as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Total</u>
2012	\$ 3,197
2013	7,668
2014	6,662
2015	5,258
2016	2,539
2017	<u>447</u>
Total	<u>\$ 25,771</u>

NOTE E - Net assets

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

	<u>2011</u>	<u>2010</u>
Summer internship	\$ 107,908	\$ 66,122
Community service, scholarships and cultural programming	79,792	63,891
Lecture funds	36,324	27,198
JCLE	34,000	-
Israel	32,228	45,673
Social justice	30,732	25,635
General program	24,242	44,588
Building project	12,599	12,741
Administrative	4,645	4,566
Personnel	<u>-</u>	<u>14,524</u>
Total	<u>\$ 362,470</u>	<u>\$ 304,938</u>

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE E - 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>2011</u>	<u>2010</u>
Summer internship	\$ 92,714	\$ 81,365
General program	13,238	8,236
Israel	14,445	21,840
Personnel	14,524	18,582
Administrative	7,421	3,490
Support for the arts	3,664	1,482
Social justice	2,003	1,270
Building project	<u>142</u>	<u>3,759</u>
Total released from restrictions	<u>\$ 148,151</u>	<u>\$ 140,024</u>

During the years ended June 30, 2011 and 2010, based on donor's requests and the Foundation's ongoing review of the net asset classifications, certain net asset amounts have been reclassified. These adjustments have been recorded as changes in the classification of funds received on the statements of activities and changes in net assets.

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>2011</u>	<u>2010</u>
Support of the arts	\$ 100,000	\$ 100,000
Shabbat dinner	10,000	10,000
Periodic guest lecture	<u>10,000</u>	<u>10,000</u>
Total permanently restricted net assets	<u>\$ 120,000</u>	<u>\$ 120,000</u>

NOTE F - 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, 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.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE F - Pension plan, continued

The Plan is administered by Federation. Required employer 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. The Foundation also funded its share of 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, 2011 and 2010, Foundation has recorded on its statement of activities and changes in net assets pension plan expense of \$33,563 and \$30,993, 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 \$9,702 in 2011 and \$7,735 in 2010.

Accrued pension

The Plan is currently underfunded. On June 30, 2004, Federation approved an expenditure of up to \$5 million (in addition to contributions otherwise made by Federation 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 2004/2005 fiscal year, and 8.50% 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 8.50% annual increases in employer contributions was suspended in 2009. The policy regarding future annual contributions to the Plan anticipates that participating agencies, in total, increase their contributions to the Plan by 4.75% each year for 12 years, beginning in the 2010/2011 fiscal year. This funding policy will be reviewed periodically and may be adjusted in the future, based on actual results. Federation completed its final payment of the \$5 million of bridge funding in the 2010/2011 fiscal year.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE F - Pension plan, continued

As of July 1, 2004, all participating agencies were required to execute an instrument of adoption to formalize the relationship between Federation 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, 2011 and 2010 the Foundation's share of the Plan's unfunded liability was \$299,815, and \$415,671, respectively. The unfunded liability net of the bridge funding as of June 30, 2011 and 2010 was \$299,815, and \$406,968, respectively and is reported on the statement of financial position as an accrued liability. The Foundation has recorded on its statement of activities and changes in net assets decreases of \$107,153 and \$47,533 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, 2011 and 2010, 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 \$5,515 and \$4,073 for the years ended June 30, 2011 and 2010, respectively.

NOTE G - Lease commitments

The Foundation leases office equipment under operating lease agreements. Rent expense was \$4,908 and \$5,623 in the years ended June 30, 2011 and 2010, respectively. The remaining payment required under the leases as of June 30, 2011 are \$4,908 during 2012, 2013, 2014 and \$2,454 during fiscal year ending June 30, 2015.

NOTE H - Rental income

The Foundation renewed its lease agreement to lease office space to the Case Western Reserve University (the University) through September 30, 2011. Annual rental income under this lease is \$44,840. The lease has been extended by the University through September 30, 2012.