

**CLEVELAND HILLEL
FOUNDATION,
INCORPORATED**

*FINANCIAL
STATEMENTS*

*FOR THE
YEARS ENDED
JUNE 30,
2010 AND 2009*

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.....	6-20

INDEPENDENT AUDITORS' REPORT

Cleveland Office
32125 Solon Road
Cleveland, OH 44139
www.SSandG.com
440-248-8787
440-248-0841 (f)

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, 2010 and 2009, 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, 2010 and 2009, 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
November 1, 2010

*Providing the
services that
bring solutions*

member of:
OSCPA, PCOAB, the AICPA's
Center for Audit Quality, and
The Leading Edge Alliance

CLEVELAND HILLEL FOUNDATION, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

	<u>JUNE 30,</u>	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 40,221	\$ 43,620
Cash equivalents	212,061	174,316
Investments	193,753	175,764
Receivables		
Jewish Federation of Cleveland	-	20,000
Others	200	-
Pledges and grants receivable	8,241	24,469
Assets held by others	131,111	123,476
Other assets	254	454
Property		
Land	16,793	16,793
Buildings and improvements	794,553	794,553
Furniture and equipment	287,136	285,236
	<u>1,098,482</u>	<u>1,096,582</u>
Less accumulated depreciation	<u>(1,076,474)</u>	<u>(1,072,863)</u>
	<u>22,008</u>	<u>23,719</u>
TOTAL ASSETS	<u>\$ 607,849</u>	<u>\$ 585,818</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 19,272	\$ 2,704
Accrued pension liability (Note F)	406,968	454,501
Loans payable - Jewish Federation of Cleveland	27,370	24,610
Deferred deposits	2,200	2,200
TOTAL LIABILITIES	<u>455,810</u>	<u>484,015</u>
Net assets		
Unrestricted	(272,899)	(317,459)
Temporarily restricted	304,938	299,262
Permanently restricted	120,000	120,000
TOTAL NET ASSETS	<u>152,039</u>	<u>101,803</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 607,849</u>	<u>\$ 585,818</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, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Jewish Federation of Cleveland:								
Allocation - Current year	\$ 614,565	\$ -	\$ -	\$ 614,565	\$ 639,884	\$ -	\$ -	\$ 639,884
Allocation - Advance	(24,100)	-	-	(24,100)	24,100	-	-	24,100
Contributions and other grants	90,334	136,229	-	226,563	92,199	174,675	-	266,874
Allocation and grants from Hillel International	13,699	-	-	13,699	14,265	-	-	14,265
Program service fees	6,968	-	-	6,968	15,524	-	-	15,524
Rental income	49,189	-	-	49,189	49,095	-	-	49,095
Special events	29,811	-	-	29,811	37,875	-	-	37,875
Interest and dividend income	2,137	927	-	3,064	5,329	1,237	-	6,566
Net realized and unrealized gain/(loss) on investments	10,118	5,109	-	15,227	(33,714)	(13,938)	-	(47,652)
Income from assets held by others	155	132	-	287	-	818	-	818
Unrealized gain/(loss) on assets held by others	9,553	3,303	-	12,856	(20,109)	(13,872)	-	(33,981)
Miscellaneous income	603	-	-	603	1,700	-	-	1,700
Net assets released from restrictions	140,024	(140,024)	-	-	139,914	(139,914)	-	-
	<u>943,056</u>	<u>5,676</u>	<u>-</u>	<u>948,732</u>	<u>966,062</u>	<u>9,006</u>	<u>-</u>	<u>975,068</u>
EXPENSES:								
Program services	672,945	-	-	672,945	704,187	-	-	704,187
Management and general services	205,074	-	-	205,074	211,642	-	-	211,642
Fundraising	68,010	-	-	68,010	61,320	-	-	61,320
	<u>946,029</u>	<u>-</u>	<u>-</u>	<u>946,029</u>	<u>977,149</u>	<u>-</u>	<u>-</u>	<u>977,149</u>
SUPPORT AND REVENUE (UNDER) OVER EXPENSES	(2,973)	5,676	-	2,703	(11,087)	9,006	-	(2,081)
(INCREASE) DECREASE IN UNFUNDED PENSION LIABILITY	47,533	-	-	47,533	(146,478)	-	-	(146,478)
CHANGE IN NET ASSETS	44,560	5,676	-	50,236	(157,565)	9,006	-	(148,559)
RECLASSIFICATION OF NET ASSETS	-	-	-	-	-	(110,000)	110,000	-
NET ASSETS, BEGINNING OF YEAR	(317,459)	299,262	120,000	101,803	(159,894)	400,256	10,000	250,362
NET ASSETS, END 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>

See accompanying notes to financial statements.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010				2009			
	Program Services	Management and General Services	Fundraising	Total	Program Services	Management and General Services	Fundraising	Total
Salaries and wages	\$ 378,828	\$ 108,236	\$ 54,118	\$ 541,182	\$ 376,776	\$ 107,650	\$ 53,825	\$ 538,251
Employee benefits	74,110	47,732	3,768	125,610	75,477	48,961	3,838	128,276
Supplies	86,184	3,917	7,835	97,936	109,432	1,168	1,169	111,769
Occupancy	54,826	13,707	-	68,533	53,987	15,170	-	69,157
Professional services	4,893	17,347	-	22,240	5,489	20,879	-	26,368
Special event	21,148	-	-	21,148	23,675	-	-	23,675
Printing	13,878	3,469	-	17,347	10,807	2,705	-	13,512
Israel Fellow	14,000	-	-	14,000	16,053	-	-	16,053
Telephone	5,064	1,266	-	6,330	5,307	1,326	-	6,633
Advertising	4,954	-	1,239	6,193	4,244	-	1,135	5,379
Office equipment	4,528	1,509	-	6,037	5,736	871	-	6,607
Service charges	-	4,366	-	4,366	-	4,896	-	4,896
Postage	2,356	841	1,010	4,207	2,212	972	1,164	4,348
Depreciation	3,250	361	-	3,611	8,033	892	-	8,925
Conferences	2,216	554	-	2,770	3,529	1,079	-	4,608
Transportation	1,312	1,313	-	2,625	1,908	1,907	-	3,815
Scholarships	1,150	-	-	1,150	360	-	-	360
Subscriptions and publications	248	22	40	310	1,162	101	189	1,452
Miscellaneous	-	220	-	220	-	1,144	-	1,144
Building initiative expense	-	142	-	142	-	-	-	-
Staff recruitment	-	72	-	72	-	1,308	-	1,308
Uncollectible pledges	-	-	-	-	-	613	-	613
TOTAL EXPENSES	\$ 672,945	\$ 205,074	\$ 68,010	\$ 946,029	\$ 704,187	\$ 211,642	\$ 61,320	\$ 977,149

See accompanying notes to financial statements.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 50,236	\$ (148,559)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	3,611	8,925
Uncollectible pledges	-	613
Net (gain)/loss on investments	(15,227)	47,652
Net realized and unrealized (gain)/loss from assets held by others	(13,143)	33,164
Proceeds from distribution of assets held by others	5,508	5,970
(Decrease)/increase in accrued pension liability	(47,533)	146,478
Changes in operating assets and liabilities		
Receivables	36,028	14,334
Other assets	200	33,750
Accounts payable and accrued expenses	<u>16,568</u>	<u>(11,687)</u>
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	36,248	130,640
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property	(1,900)	(3,007)
Proceeds from sale of investments	-	4,760
Purchase of investments	<u>(2,762)</u>	<u>(32,638)</u>
NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) INVESTING ACTIVITIES	(4,662)	(30,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds	2,760	2,827
Repayment of loans payable	<u>-</u>	<u>(6,875)</u>
NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,760	(4,048)
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,346	95,707
CASH AND CASH EQUIVALENTS, beginning of year	<u>217,936</u>	<u>122,229</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 252,282</u>	<u>\$ 217,936</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, and Baldwin-Wallace College. The Foundation also provides a summer internship and leadership program and summer social events for Cleveland based students. The Foundation receives an allocation from the annual campaign of Jewish Federation of Cleveland (Federation) and follows certain guidelines established by Federation.

FASB Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board (FASB) issued *The Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (the Codification or ASC) as the single source of authoritative accounting guidance. The Codification did not change generally accepted accounting principles (GAAP), but rather enhanced the way accounting principles are organized. The Codification was effective for fiscal years ending after September 15, 2009.

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 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.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies, continued

Basis of presentation, continued

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, 2010 and 2009, 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.

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 B). 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, 2010 and 2009.

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.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies, continued

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.

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.

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, 2010 and 2009, total contribution revenue of 63% and 69%, respectively was received from Federation. As of June 30, 2010, the Foundation had no other significant concentration of credit risk.

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.

Reclassifications

Certain reclassifications were made to the June 30, 2009 financial statement presentation in order to conform to the June 30, 2010 financial statement presentation. These reclassifications had no effect on the change in net assets.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies, continued

Evaluation of subsequent events

The Foundation has evaluated subsequent events through November 1, 2010, 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. 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 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 and assets held by others as of the reporting date. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

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

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE B - Fair value measurements, continued

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.

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.

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.

Jewish Federation of Cleveland pooled funds

Federation Main Investment Fund (MIF) and Money Fund are pooled investment funds managed by Federation 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. Federation establishes a payout rate at the beginning of each quarter. During fiscal 2010 the payout ranged from 1.25% - 1.5% and during fiscal 2009 the payout ranged from 1.5% - 3.0%.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE B - Fair value measurements, continued

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, 2010 and 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>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>

<u>Description</u>	<u>June 30, 2009</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 174,316	\$ -	\$ -	\$ 174,316
Investments				
Federation Money Fund	-	-	48,488	48,488
Federation Main Investment Fund	-	-	127,276	127,276
Assets held by others	<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>

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE B - Fair value measurements, continued

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, 2010 and 2009:

	<u>Investments</u>	<u>Assets Held by Others</u>	<u>Total Level 3 Investments</u>
Balance - June 30, 2008	\$ 195,538	\$ 162,610	\$ 358,148
Total realized and unrealized loss	(47,571)	(33,164)	(80,735)
Net transfers out of Level 3	(4,760)	-	(10,730)
Purchases, sales, and settlements	<u>32,557</u>	<u>(5,970)</u>	<u>32,557</u>
Balance - June 30, 2009	175,764	123,476	299,240
Total realized and unrealized gain	15,227	12,856	28,083
Net transfers out of Level 3	(193,753)	-	(193,753)
Purchases, sales, and settlements	<u>2,762</u>	<u>(5,221)</u>	<u>(2,459)</u>
Balance - June 30, 2010	<u><u>\$ -</u></u>	<u><u>\$ 131,111</u></u>	<u><u>\$ 131,111</u></u>

Change in unrealized gains and losses relating to assets held as of June 30, 2010 and 2009 were \$12,856 and (\$33,981).

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE C - Endowments

The FASB Codification for Not-for-Profit Entities *Endowments* 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 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

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 \$14,427 and \$20,109 as of June 30, 2010 and 2009, respectively. These deficiencies were the result of losses in global investment markets sustained in past 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 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 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, 2010				
Donor-restricted endowment funds	<u>\$ (14,427)</u>	<u>\$ 25,538</u>	<u>\$ 120,000</u>	<u>\$ 131,111</u>
June 30, 2009				
Donor-restricted endowment funds	<u>\$ (20,109)</u>	<u>\$ 23,585</u>	<u>\$ 120,000</u>	<u>\$ 123,476</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, 2010 and 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2008	\$ -	\$ 152,609	\$ 10,000	\$ 162,609
Investment return:				
Investment income	-	818	-	818
Net 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, 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	<u>\$ (14,427)</u>	<u>\$ 25,538</u>	<u>\$ 120,000</u>	<u>\$ 131,111</u>

The reclassification in 2009 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 intended to be maintained in perpetuity.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE D - Loans payable

The Foundation received unsecured, interest-free loans from Federation to pay certain operating and capital costs. During the years ended June 30, 2010 and 2009, Federation loaned the Foundation \$2,760 and \$2,827 for masonry and HVAC repairs, respectively. As of June 30, 2010, the loans are due in installments as follows:

Year ending <u>June 30,</u>	<u>Total</u>
2011	\$ 1,597
2012	7,883
2013	7,188
2014	5,842
2015	3,964
2016	<u>896</u>
Total	<u>\$ 27,370</u>

NOTE E - Net assets

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

	<u>2010</u>	<u>2009</u>
Summer internship	\$ 66,122	\$ 87,488
Community service, scholarships and cultural programming	63,891	57,855
Israel	45,673	58,449
General program	44,588	10,343
Lecture funds	27,198	23,583
Social justice	25,635	15,067
Personnel	14,524	17,406
New building initiative	12,741	25,000
Administrative	<u>4,566</u>	<u>4,071</u>
Total	<u>\$ 304,938</u>	<u>\$ 299,262</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>2010</u>	<u>2009</u>
Summer internship	\$ 81,365	\$ 54,314
Israel	21,840	42,548
Personnel	18,582	-
General program	8,236	18,270
Building project	3,759	-
Administrative	3,490	13,539
Support for the arts	1,482	5,411
Social justice	<u>1,270</u>	<u>5,832</u>
Total released from restrictions	<u>\$ 140,024</u>	<u>\$ 139,914</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>2010</u>	<u>2009</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>

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

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 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.

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, 2010 and 2009, Foundation has recorded on its Statement of Activities and Changes in Net Assets pension plan expense of \$30,993 and expense of \$38,591, 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 \$7,735 in 2010 and \$3,802 in 2009.

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 will complete its final payment of the \$5 million of bridge funding with a payment of \$714,000 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, 2010 and 2009 the Foundation's share of the Plan's unfunded liability, was \$415,671, and \$471,361, respectively. The unfunded liability net of the bridge funding as of June 30, 2010 and 2009 was \$406,968, and \$454,501, 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 a decrease of \$47,533 and an increase of \$146,478 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, 2010 and 2009, respectively.

Defined Contribution Plan

As of July 1, 2009, the Foundation began participation in the Jewish Federation of Cleveland's 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 \$4,073 for the year ended June 30, 2010.

NOTE G - Lease commitments

The Foundation leases office equipment under operating lease agreements. Rent expense was \$5,488 and \$5,623 in the years ended June 30, 2010 and 2009, respectively. The remaining payment required under the lease as of June 30, 2010 are \$4,908 during 2011, 2012, 2013, 2014 and \$2,454 during fiscal year ending June 30, 2015.

NOTE H - Rental income

The Foundation entered into a lease agreement to lease office space to the Case Western Reserve University (the University) through September 30, 2010. Annual rental income under this lease is \$44,840. The lease has been extended by the University through September 30, 2011.