



Cleveland Hillel Foundation, Incorporated

Financial Statements
Years Ended June 30, 2015 And 2014

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.



Cleveland Hillel Foundation, Incorporated

Financial Statements
Years Ended June 30, 2015 and 2014

Cleveland Hillel Foundation, Incorporated

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Cleveland Hillel Foundation, Incorporated (the Foundation), which comprise the statement of financial position as of June 30, 2015 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland Hillel Foundation, Incorporated as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The 2014 financial statements of Cleveland Hillel Foundation, Incorporated were audited by SS&G, Inc. whose directors and professional staff joined BDO USA, LLP as of January 1, 2015, and has subsequently ceased operations. SS&G, Inc.'s report dated November 10, 2014 expressed an unmodified opinion on those statements.

BDO USA, LLP

Cleveland, Ohio
November 9, 2015

Financial Statements

Cleveland Hillel Foundation, Incorporated

Statements of Financial Position

| <i>June 30,</i> | 2015 | 2014 |
|--------------------------------------|---------------------|---------------------|
| Assets | | |
| Cash | \$ 166,578 | \$ 75,119 |
| Construction Cash | 157,940 | - |
| Cash equivalents | 137,151 | 143,099 |
| Investments | 288,208 | 286,577 |
| Receivables | | |
| Unrestricted pledges and grants | 89,523 | 23,991 |
| Restricted pledges and grants | 39,850 | 74,737 |
| Other | 4,091 | 4,144 |
| Assets held by others - Endowment | 174,572 | 174,964 |
| Assets held by others - New Building | 2,750,251 | 2,073,551 |
| Other assets | 904 | 5,931 |
| Property | | |
| Land | 246,500 | 16,793 |
| Buildings and improvements | - | 794,553 |
| Furniture and equipment | 302,555 | 302,556 |
| | 549,055 | 1,113,902 |
| Less accumulated depreciation | (297,476) | (1,088,945) |
| | 251,579 | 24,957 |
| Construction in progress | 919,828 | 59,592 |
| Total Property | 1,171,407 | 84,549 |
| Total Assets | \$ 4,980,475 | \$ 2,946,662 |

See accompanying independent auditor's report and notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Financial Position

| <i>June 30,</i> | 2015 | 2014 |
|---|---------------------|---------------------|
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 152,766 | \$ 124,098 |
| Construction loan payable | 50,001 | - |
| Loans payable - Jewish Federation of Cleveland | 7,406 | 14,162 |
| Deferred deposits | 2,600 | 2,800 |
| Accrued pension liability | 330,944 | 268,648 |
| Total Liabilities | 543,717 | 409,708 |
| Net Assets | | |
| Unrestricted | 1,155,255 | (16,235) |
| Temporarily restricted | 3,161,503 | 2,433,189 |
| Permanently restricted | 120,000 | 120,000 |
| Total Net Assets | 4,436,758 | 2,536,954 |
| Total Liabilities and Net Assets | \$ 4,980,475 | \$ 2,946,662 |

See accompanying independent auditor's report and notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Activities

| Years Ended June 30, | 2015 | | | | 2014 | | | |
|--|---------------------|------------------------|------------------------|---------------------|--------------------|------------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Operating Activities: | | | | | | | | |
| Support and Revenue: | | | | | | | | |
| Jewish Federation of Cleveland allocation | \$ 616,722 | \$ - | \$ - | \$ 616,722 | \$ 616,722 | \$ - | \$ - | \$ 616,722 |
| Contributions and other grants - current year | 202,604 | 116,657 | - | 319,261 | 187,821 | 140,383 | - | 328,204 |
| Renaissance Society contributions-receivable in future years | - | - | - | - | - | 22,500 | - | 22,500 |
| In Kind Contribution - Free Rent | 37,367 | - | - | 37,367 | - | - | - | - |
| Allocation and grants from Hillel International | - | 19,850 | - | 19,850 | - | 18,000 | - | 18,000 |
| Program service fees | 18,514 | - | - | 18,514 | 22,285 | - | - | 22,285 |
| Rental income | 26,914 | - | - | 26,914 | 49,240 | - | - | 49,240 |
| Special events | 38,186 | - | - | 38,186 | 36,712 | - | - | 36,712 |
| Interest and dividend income | 2,070 | 1,059 | - | 3,129 | 1,891 | 969 | - | 2,860 |
| Net realized and unrealized (loss) gain on investments | (979) | (495) | - | (1,474) | 24,115 | 12,191 | - | 36,306 |
| Net change in assets held by others - Endowment | - | (374) | - | (374) | 4,285 | 19,023 | - | 23,308 |
| Loss due to uncollectible pledges | - | - | - | - | - | (12,000) | - | (12,000) |
| Miscellaneous income | 3,991 | - | - | 3,991 | - | - | - | - |
| Net assets released from restrictions | 480,083 | (480,083) | - | - | 179,257 | (179,257) | - | - |
| | 1,425,472 | (343,386) | - | 1,082,086 | 1,122,328 | 21,809 | - | 1,144,137 |
| Expenses: | | | | | | | | |
| Program services | 789,431 | - | - | 789,431 | 786,363 | - | - | 786,363 |
| Management and general services | 208,243 | - | - | 208,243 | 301,058 | - | - | 301,058 |
| Fundraising | 71,164 | - | - | 71,164 | 71,943 | - | - | 71,943 |
| | 1,068,838 | - | - | 1,068,838 | 1,159,364 | - | - | 1,159,364 |
| Operating Activities: Support and Revenue Over (Under) Expenses | 356,634 | (343,386) | - | 13,248 | (37,036) | 21,809 | - | (15,227) |
| Non-Operating Activities: | | | | | | | | |
| Change in assets held by others - New Building | - | 1,071,700 | - | 1,071,700 | - | 2,005,076 | - | 2,005,076 |
| Gain on Building Exchange | 733,207 | - | - | 733,207 | - | - | - | - |
| Jewish Federation of Cleveland Special Grant | 144,832 | - | - | 144,832 | - | - | - | - |
| Interest and Fees on Construction Loan | (887) | - | - | (887) | - | - | - | - |
| (Increase) decrease in unfunded pension liability | (62,296) | - | - | (62,296) | 104,397 | - | - | 104,397 |
| Change In Net Assets | 1,171,490 | 728,314 | - | 1,899,804 | 67,361 | 2,026,885 | - | 2,094,246 |
| Net Assets, Beginning of Year | (16,235) | 2,433,189 | 120,000 | 2,536,954 | (83,596) | 406,304 | 120,000 | 442,708 |
| Net Assets, End of Year | \$ 1,155,255 | \$ 3,161,503 | \$ 120,000 | \$ 4,436,758 | \$ (16,235) | \$ 2,433,189 | \$ 120,000 | \$ 2,536,954 |

See accompanying independent auditor's report and notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Functional Expenses

| <i>Years Ended June 30,</i> | 2015 | | | | 2014 | | | |
|---|---------------------|---------------------------------------|------------------|---------------------|---------------------|---------------------------------------|------------------|---------------------|
| | Program Services | Management and General Services | Fundraising | Total | Program Services | Management and General Services | Fundraising | Total |
| Salaries and wages | \$ 488,083 | \$ 120,489 | \$ 33,698 | \$ 642,270 | \$ 471,984 | \$ 191,105 | \$ 26,155 | \$ 689,244 |
| Supplies | 94,127 | 4,183 | 6,275 | 104,585 | 104,153 | 4,629 | 6,944 | 115,726 |
| Employee benefits | 75,540 | 18,686 | 5,169 | 99,395 | 85,231 | 54,894 | 4,334 | 144,459 |
| Occupancy | 59,174 | 14,793 | - | 73,967 | 40,445 | 10,111 | - | 50,556 |
| Professional services | 5,992 | 21,246 | 17,548 | 44,786 | 6,099 | 21,623 | 27,581 | 55,303 |
| Israel Fellow | 19,216 | - | - | 19,216 | 14,934 | - | - | 14,934 |
| Special event | 12,361 | - | 1,298 | 13,659 | 20,440 | - | - | 20,440 |
| Grants for summer internship program | 12,000 | - | - | 12,000 | 12,000 | - | - | 12,000 |
| Printing | 664 | 6,453 | 2,527 | 9,644 | 4,761 | 5,811 | 1,581 | 12,153 |
| Office equipment | 4,876 | 1,625 | - | 6,501 | 4,224 | 1,408 | - | 5,632 |
| Transportation | 2,614 | 2,614 | 267 | 5,495 | 3,024 | 3,024 | 115 | 6,163 |
| Service charges | - | 4,826 | - | 4,826 | - | 4,807 | - | 4,807 |
| Groundbreaking event | - | 4,550 | - | 4,550 | - | - | - | - |
| Advertising | 3,475 | - | 869 | 4,344 | 4,042 | - | 1,010 | 5,052 |
| Telephone | 2,775 | 694 | 544 | 4,013 | 4,805 | 1,201 | - | 6,006 |
| Conferences | 2,712 | 375 | 802 | 3,889 | 3,825 | 448 | 1,994 | 6,267 |
| Staff recruitment | - | 3,650 | - | 3,650 | - | - | - | - |
| Postage | 1,789 | 628 | 817 | 3,234 | 2,602 | 914 | 1,289 | 4,805 |
| Depreciation | 2,776 | 308 | - | 3,084 | 3,178 | 353 | - | 3,531 |
| Bad debt expense | - | 2,822 | - | 2,822 | - | 400 | - | 400 |
| Web site and IT | 1,159 | 101 | 895 | 2,155 | 340 | 30 | 895 | 1,265 |
| Subscriptions and publications | 98 | - | 455 | 553 | 276 | 24 | 45 | 345 |
| Miscellaneous | - | 200 | - | 200 | - | 276 | - | 276 |
| Total Expenses | \$ 789,431 | \$ 208,243 | \$ 71,164 | \$ 1,068,838 | \$ 786,363 | \$ 301,058 | \$ 71,943 | \$ 1,159,364 |

See accompanying independent auditor's report and notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Cash Flows

| Years Ended June 30, | 2015 | 2014 |
|---|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 1,899,804 | \$ 2,094,246 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities | | |
| Depreciation | 3,084 | 3,531 |
| Loss due to uncollectible pledges and bad debt expense | 2,822 | 12,400 |
| Non cash contribution - legal services | (34,734) | (23,187) |
| Gain on building exchange | (733,207) | - |
| Net realized and unrealized loss (gain) on investments | 1,474 | (36,306) |
| Net change in assets held by others | (1,071,308) | (2,027,930) |
| Increase (decrease) in accrued pension liability | 62,296 | (104,397) |
| Changes in operating assets and liabilities | | |
| Receivables | (33,414) | 20,102 |
| Other assets | 5,027 | (5,477) |
| Accounts payable and accrued expenses | 28,468 | 86,634 |
| Net Cash and Cash Equivalents Provided By Operating Activities | 130,312 | 19,616 |
| Cash Flows From Investing Activities | | |
| Additions to construction in progress | (322,002) | (8,000) |
| Distribution from assets held by others - New Building | 395,000 | - |
| Purchase of investments | (3,104) | (2,832) |
| Net Cash and Cash Equivalents Provided By (Used In) Investing Activities | 69,894 | (10,832) |
| Cash Flows From Financing Activities | | |
| Proceeds from borrowing for building renovation | 50,001 | - |
| Repayment of loans payable | (6,756) | (6,459) |
| Net Cash and Cash Equivalents Provided By (Used In) Financing Activities | 43,245 | (6,459) |
| Net Increase In Cash and Cash Equivalents | 243,451 | 2,325 |
| Cash and Cash Equivalents, beginning of year | 218,218 | 215,893 |
| Cash and Cash Equivalents, end of year | \$ 461,669 | \$ 218,218 |

Supplemental Disclosure of Noncash Transactions

The Foundation received non cash contributions of legal services of \$34,734 and \$23,187 during the years ended June 30, 2015 and 2014, respectively, which have been included in construction in progress on the statements of financial position.

See accompanying independent auditor's report and notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

1. Summary of Significant Accounting Policies

Description of Entity

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

Basis of Presentation

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

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

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

Cash and Cash Equivalents

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

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

Investments and Investment Income

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

Pledges and Grants Receivable

The Foundation reports receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings. There was no allowance at June 30, 2015 and 2014.

Property

Land, buildings and improvements, and furniture and equipment are stated at cost at the date of acquisition. Donated property is recorded at the estimated fair value of the asset at the time of donation. Depreciation of buildings and equipment is computed on the straight-line basis over the estimated useful life of the related asset once the items are placed in service. Assets greater than \$2,500 are capitalized. Expenditures for minor equipment, maintenance, and repairs are charged to expense as incurred. Also see Note 2.

Assets Held by Others-Endowment

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

Assets Held by Others-New Building

The Foundation is a beneficiary of funds being held by CWRU for the purpose of a new student center for the Foundation (see Note 2). Changes to these funds have been reflected as non-operating support on the statements of activities. At June 30, 2015 and 2014, these funds consist of the discounted present value of pledge commitments received by CWRU and cash collected by CWRU on pledge commitments.

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.

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

Donated Services

A substantial number of volunteers donate significant amounts of time to the Foundation's program services. However, in most cases no amounts are reported in the financial statements for donated services since no objective basis is available to measure the value of such services. Donated services are recorded when an objective value can be determined. The Foundation recorded donated legal services of \$34,734 and \$23,187 related to the new building project which were included in construction in progress at June 30, 2015 and 2014.

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

Functional Expense Allocation

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

Income Tax Status

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

The Foundation follows the accounting guidance for uncertainty in income taxes. The Foundation's income tax filings are subject to audit by various taxing authorities. The Foundation's open audit periods are 2012 through current. In evaluating the Foundation's activities, the Foundation believes its position of current tax-exempt status is current based on current facts and circumstances. The Foundation has further assessed that there are no activities unrelated to the purpose of the Foundation and therefore no tax is to be recognized in the accompanying financial statements.

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, 2015 and 2014.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents and investments in Federation pooled investment funds. The Foundation maintains its cash and cash equivalents with financial institutions. At times, amounts may exceed federally insured limits. Investment securities are exposed to various risks such as interest rate, market volatility and credit, which are more fully discussed in Note 3.

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

During the years ended June 30, 2015 and 2014, the Foundation received 25% and 20% of total support (operating and non-operating support and revenue), respectively, from Federation. In addition, the Foundation received 35% and 64% of total support (operating revenue and non-operating support and revenue) from one donor for the years ended June 30, 2015 and 2014, respectively. As of June 30, 2015, the Foundation had no other significant concentration of credit risk.

Use of Estimates

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

Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through November 9, 2015, which is the date the financial statements were available to be issued, and has determined that there were no subsequent events to recognize or disclose in these financial statements.

2. New Building

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

During 2015, the Foundation completed the building exchange transaction with CWRU. The new building was included in construction in progress on the statement of financial position at June 30, 2015 as renovations on the building are in progress. A gain on exchange has been recorded in the statement of activities for the year ended June 30, 2015 for the estimated fair value of the new building and land less the remaining net book value of the old building and land.

In addition, during 2015, the Foundation entered into a construction contract for the renovation of the new building for \$2,650,000.

3. Fair Value Measurements

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

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

the inputs market participants would use in measuring investments at fair value based on the best information available in the circumstances. Investments are measured and disclosed in one of the three levels based on the reliability of inputs:

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

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

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

Cash and cash equivalents

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

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

Jewish Federation of Cleveland (Federation) Pooled Funds

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

Money Fund

The Money Fund is comprised primarily of investments in U.S. Treasury and agency securities, federally insured certificates of deposit, bank deposits, government-backed corporate bonds, mortgage-backed securities and Israel bonds and notes. The Federation establishes a payout rate at the beginning of each quarter. During fiscal 2015, the payout ranged from 0.75% - 0.85% and during fiscal 2014, the payout ranged from 0.65% - 0.70%.

Main Investment Fund

MIF is comprised primarily of fixed income and equity investments. Certain assets that are held in common trust funds are valued based on the net asset value of the units held. The MIF also includes alternative investments, which invest in equities and commodities. Beginning in fiscal 2014, MIF invested in private equity investments, which have a target allocation of 10% of the MIF pool and are valued based on reports provided by investment managers. The Federation has not changed the fair value pricing methodology. The Foundation is credited a pro rata share of investment returns based upon units of ownership interest.

The fair value of the pooled investments (Money Fund and MIF) held by the Foundation are based on the net asset value (NAV) of units held at year end. Investments in the Money Fund and MIF are classified within Level 2 of the fair value hierarchy. While the Federation believes their valuation method is appropriate, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets Held by Others

In accordance with GAAP, the Foundation recognizes its interest in the assets held by others that have underlying investments as Level 3 within the fair value hierarchy.

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

The following investments are measured at fair value on a recurring basis during the years ended June 30, 2015 and 2014, using unadjusted quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

| <i>June 30,</i> | 2015 | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Description | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents | \$ 137,151 | \$ - | \$ - | \$ 137,151 |
| Investments | | | | |
| Federation Money Fund | - | 42,431 | - | 42,431 |
| Federation Main Investment Fund | - | 245,777 | - | 245,777 |
| Assets held by others - Endowment | - | - | 174,572 | 174,572 |
| Total investments | \$ 137,151 | \$ 288,208 | \$ 174,572 | \$ 599,931 |
| <i>June 30,</i> | 2014 | | | |
| Description | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents | \$ 143,099 | \$ - | \$ - | \$ 143,099 |
| Investments | | | | |
| Federation Money Fund | - | 39,326 | - | 39,326 |
| Federation Main Investment Fund | - | 247,251 | - | 247,251 |
| Assets held by others - Endowment | - | - | 174,964 | 174,964 |
| Total investments | \$ 143,099 | \$ 286,577 | \$ 174,964 | \$ 604,640 |

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2015 and 2014:

| | Assets Held By Others - Endowment |
|--------------------------------------|--|
| Balance - July 1, 2013 | \$ 152,110 |
| Total realized and unrealized gains | 22,951 |
| Contributions | 23 |
| Investment income | 357 |
| Distributions | (477) |
| Balance - June 30, 2014 | 174,964 |
| Total realized and unrealized losses | (773) |
| Contributions | 518 |
| Investment income | 399 |
| Distributions | (536) |
| Balance - June 30, 2015 | \$ 174,572 |

The changes in unrealized gains or losses relating to level 3 assets held as of June 30, 2015 and 2014 were (\$22,178) and \$8,413, respectively.

4. Endowments

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

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

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

Interpretation of Relevant Law

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

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

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value of such fund. In accordance with GAAP, there were no deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2015 and 2014, respectively.

Return Objectives and Risk Parameters

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

See accompanying independent auditor’s report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation in order to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowments of the Foundation are all held at Federation and as such operate under a spending policy consistent with Federation. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------------------|--------------|------------------------|------------------------|------------|
| <i>June 30,</i> | | 2015 | | |
| Donor-restricted endowment funds | \$ - | \$ 54,572 | \$ 120,000 | \$ 174,572 |
| <i>June 30,</i> | | 2014 | | |
| Donor-restricted endowment funds | \$ - | \$ 54,964 | \$ 120,000 | \$ 174,964 |

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

Change in endowment net assets for the fiscal years ended June 30, 2015 and 2014:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|--------------|---------------------------|---------------------------|------------|
| Endowment net assets, June 30, 2013 | \$ (4,285) | \$ 36,395 | \$ 120,000 | \$ 152,110 |
| Investment return: | | | | |
| Investment income | - | 357 | - | 357 |
| Net appreciation (realized and unrealized) | 4,285 | 18,666 | - | 22,951 |
| Total investment return | 4,285 | 19,023 | - | 23,308 |
| Contributions | - | 23 | - | 23 |
| Appropriation of endowment assets for expenditure | - | (477) | - | (477) |
| Endowment net assets, June 30, 2014 | - | 54,964 | 120,000 | 174,964 |
| Investment return: | | | | |
| Investment income | - | 399 | - | 399 |
| Net depreciation (realized and unrealized) | - | (773) | - | (773) |
| Total investment return | - | (374) | - | (374) |
| Contributions | - | 518 | - | 518 |
| Appropriation of endowment assets for expenditure | - | (536) | - | (536) |
| Endowment net assets, June 30, 2015 | \$ - | \$ 54,572 | \$ 120,000 | \$ 174,572 |

5. Pledges and Grants Receivable

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

Restricted pledges receivable were as follows at June 30, 2015:

| | |
|----------------------------------|------------------|
| Receivable in less than one year | \$ 31,850 |
| Receivable in one to five years | <u>8,000</u> |
| | <u>\$ 39,850</u> |

All unrestricted pledges and grants receivable, \$89,523 at June 30, 2015, are expected to be collected in less than one year.

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

6. Debt

Construction Loan Payable

On April 8, 2015, the Colorado Education and Cultural Facilities Authority (CECFA) issued up to \$3,300,000 tax exempt non-bank qualified loan (National Jewish Federation Bond Program, series U-1) and assigned the rights and obligations of the loan to Key Government Finance, Inc. The loan proceeds will fund the construction, working capital and other certain financing costs related to the Foundation's building renovation (see Note 2). The Lender Retention Option occurs on April 1, 2022 and may be extended thereafter. The loan amortizes over 30 years with the final payment due on May 1, 2035. The loan is guaranteed by Federation. Interest on the outstanding balance is calculated based on 67% of the 1 month LIBOR Index Floating Rate (as defined) plus a credit spread (equaling 1.10328% at June 30, 2015) and is payable monthly. As of June 30, 2015, \$50,001 was outstanding in relation to this debt from advances drawn by the Foundation.

Repayments of outstanding principal commence on May 1, 2017 and are due in semi-annual installments on May 1 and November 1 thereafter (as defined) through May 1, 2035.

Should the Foundation draw the maximum funds available to them, future minimum principal payments on the bond payable for fiscal years ending June 30 are as follows:

| | | |
|------------|----|---------------------|
| 2016 | \$ | - |
| 2017 | | 70,000 |
| 2018 | | 150,714 |
| 2019 | | 153,743 |
| 2020 | | 156,833 |
| Thereafter | | 2,768,710 |
| | | <u>\$ 3,300,000</u> |

Subsequent to year end, as of the issue date of these financial statements, the Foundation has \$1,006,400 outstanding in relation to this debt.

Loan Payable

The Foundation has several unsecured, interest-free loans from Federation used to pay certain operating and capital costs. As of June 30, 2015, the loans are due in installments as follows:

| <u>Year ending June 30,</u> | <u>Total</u> |
|-----------------------------|-----------------|
| 2016 | \$ 5,295 |
| 2017 | 1,739 |
| 2018 | 372 |
| <u>Total</u> | <u>\$ 7,406</u> |

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

7. Net Assets

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

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Building renovations and operations | \$ 2,842,836 | \$ 2,074,031 |
| Summer internship | 54,185 | 60,224 |
| Community service, scholarships and cultural programming | 95,979 | 95,441 |
| Time restricted contributions | 23,250 | 61,737 |
| Support for the arts | 59,853 | 60,145 |
| JCLE | 11,593 | 15,410 |
| Israel | 6,832 | 7,500 |
| Social justice | 19,267 | 18,150 |
| General program | 41,754 | 34,380 |
| Equipment | 5,954 | 6,171 |
| Total | \$ 3,161,503 | \$ 2,433,189 |

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

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Building renovations and operations | \$ 304,709 | \$ - |
| Summer internship | 93,283 | 97,702 |
| JCLE | 8,132 | 12,654 |
| General program | 33,333 | 19,603 |
| Israel | 20,918 | 18,834 |
| Passage of time | 19,038 | 20,700 |
| Equipment | 238 | 2,294 |
| Support for the arts | - | 5,585 |
| Social justice | 432 | 1,885 |
| Total released from restrictions | \$ 480,083 | \$ 179,257 |

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

| | 2015 | 2014 |
|--|------------------|------------------|
| Support of the arts | \$100,000 | \$100,000 |
| Shabbat dinner | 10,000 | 10,000 |
| Periodic guest lecture | 10,000 | 10,000 |
| Total permanently restricted net assets | \$120,000 | \$120,000 |

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

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8. Pension Plan

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

Effective July 25, 2013, the Plan was amended to permit participating employers to allow its participants who reach normal retirement age while still employed to elect to commence payment of their pension in a form available under the terms of the Retirement Plan ("ISD election".) The Foundation has not elected to implement the ISD election. The Plan was also amended to (i) allow any participant who has attained age 55 to elect to take his/her pension when payable in the form of a lump sum; (ii) provide that a terminated participant and/or a spouse or beneficiary who is entitled to benefits upon the death of a participant, and who, in either case, has a nonforfeitable benefit with an actuarial equivalent lump sum value that does not exceed \$10,000, to elect to receive payment of such benefit in the form of an immediate lump sum payment; (iii) provide that spouses of participants may elect to take their pre-retirement spouse pension in the form of a lump sum after the date the participant would have attained age 55; (iv) provide that beneficiaries of participants may elect to take their alternate death benefit in the form of a lump sum after the date the participant would have attained age 55.

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. For the years ended June 30, 2015 and 2014, the Foundation has recorded on its statement of activities pension plan expense of \$9,524 and \$27,892, 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 \$46,760 in 2015 and \$37,409 in 2014.

Accrued Pension

The Plan is currently underfunded. Since the 2010/2011 fiscal year, the policy regarding future annual contributions to the Plan has required that participating agencies, in total, increase their contributions to the Plan by 4.75% each year for 12 years.

As calculated by an actuary, as of June 30, 2015 and 2014, the Foundation's share of the Plan's unfunded liability was \$330,944 and \$268,648, respectively and is reported on the statements of financial position as an accrued pension liability. The Foundation has recorded on its statements of activities an increase of \$62,296 and decrease of \$104,397 in pension liability which represents the change in the Foundation's share of the Plan's unfunded liability for the years ended June 30, 2015 and 2014, respectively.

See accompanying independent auditor's report.

Cleveland Hillel Foundation, Incorporated

Notes To Financial Statements

Defined Contribution Plan

As of July 1, 2009, the Foundation began participation in the Jewish Federation of Cleveland 403(b) Retirement Plan (the 403(b) plan). Under this program, employees may defer portions of their salary, and the Foundation may make discretionary non-elective or matching contributions on behalf of its employees. Contributions to the 403(b) plan by the Foundation were \$4,845 and \$5,832 for the years ended June 30, 2015 and 2014, respectively.

9. Lease Commitments

The Foundation leases office equipment, a car and an apartment under operating lease agreements. Rent expense was \$16,736 and \$17,043 for the years ended June 30, 2015 and 2014, respectively. The remaining payments required under the leases as of June 30, 2015 are \$18,784 during fiscal year ending June 30, 2016 and \$6,111 during the fiscal years ending 2017 and 2018, and \$4,646 during fiscal year ending 2019.

10. Rental Income and In-kind Contribution Free Rent

The Foundation leased office space to CWRU through the date of the building exchange (Note 2) on a month to month basis. Rental income under this lease was \$22,420 and \$44,840 for the years ended June 30, 2015 and 2014, respectively. After the building exchange, the Foundation continued to occupy the space in their former building rent free. Accordingly, an in-kind contribution and a corresponding rent expense of \$37,367 have been recorded in the statements for the value of the free rent.

See accompanying independent auditor's report.