



# Cleveland Hillel Foundation, Incorporated

Financial Statements  
Years Ended June 30, 2016 and 2015

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**

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Financial Statements  
Years Ended June 30, 2016 and 2015

# Cleveland Hillel Foundation, Incorporated

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Tel: 440-248-8787  
Fax: 440-248-0841  
www.bdo.com

32125 Solon Road  
Cleveland, OH 44139

## 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 statements of financial position as of June 30, 2016 and 2015 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland Hillel Foundation, Incorporated as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Cleveland, Ohio  
November 7, 2016

## Financial Statements

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# Cleveland Hillel Foundation, Incorporated

## Statements of Financial Position

<i>June 30,</i>	2016	2015
<b>Assets</b>		
Cash	\$ 131,315	\$ 166,578
Construction cash	4,764	157,940
Cash equivalents	141,514	137,151
Investments	281,998	288,208
Receivables		
Unrestricted pledges and grants	36,424	89,523
Restricted pledges and grants	30,166	39,850
Other	218,978	4,091
Assets held by others - Endowment	166,787	174,572
Assets held by others - New Building	1,992,716	2,750,251
Other assets	5,639	904
Loan fees, net	97,632	101,925
Property		
Land	246,500	246,500
Buildings and improvements	4,099,678	-
Furniture and equipment	184,885	302,555
	4,531,063	549,055
Less accumulated depreciation	(81,208)	(297,476)
	4,449,855	251,579
Construction in progress	-	817,903
<b>Total Property</b>	<b>4,449,855</b>	<b>1,069,482</b>
<b>Total Assets</b>	<b>\$ 7,557,788</b>	<b>\$ 4,980,475</b>

# Cleveland Hillel Foundation, Incorporated

## Statements of Financial Position

<i>June 30,</i>	2016	2015
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 36,288	\$ 152,766
Construction loan payable	2,417,446	50,001
Loans payable - Jewish Federation of Cleveland	2,111	7,406
Deferred deposits	2,200	2,600
Accrued pension liability	634,797	330,944
<b>Total Liabilities</b>	<b>3,092,842</b>	<b>543,717</b>
<b>Net Assets</b>		
Unrestricted	1,826,481	1,155,255
Temporarily restricted	2,518,465	3,161,503
Permanently restricted	120,000	120,000
<b>Total Net Assets</b>	<b>4,464,946</b>	<b>4,436,758</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,557,788</b>	<b>\$ 4,980,475</b>

*See accompanying notes to financial statements.*



Cleveland Hillel Foundation, Incorporated

Statements of Activities

Years Ended June 30,	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Activities:</b>								
<b>Support and Revenue:</b>								
Jewish Federation of Cleveland allocation	\$ 618,222	\$ -	\$ -	\$ 618,222	\$ 616,722	\$ -	\$ -	\$ 616,722
Jewish Federation of Cleveland additional grant	15,368	-	-	15,368	-	-	-	-
Contributions and other grants - current year	145,201	121,083	-	266,284	202,604	116,657	-	319,261
In Kind Contribution - Free Rent	44,840	-	-	44,840	37,367	-	-	37,367
Allocation and grants from Hillel International	1,600	21,500	-	23,100	-	19,850	-	19,850
Program service fees	15,769	-	-	15,769	18,514	-	-	18,514
Rental income	27,028	-	-	27,028	26,914	-	-	26,914
Special events	-	-	-	-	38,186	-	-	38,186
Interest and dividend income	2,016	1,303	-	3,319	2,070	1,059	-	3,129
Net realized and unrealized loss on investments	(6,097)	(3,082)	-	(9,179)	(979)	(495)	-	(1,474)
Net change in assets held by others - Endowment	-	(7,035)	-	(7,035)	-	(374)	-	(374)
Miscellaneous income	20,745	-	-	20,745	3,991	-	-	3,991
Net assets released from restrictions	148,529	(148,529)	-	-	175,374	(175,374)	-	-
	<b>1,033,221</b>	<b>(14,760)</b>	<b>-</b>	<b>1,018,461</b>	<b>1,425,472</b>	<b>(343,386)</b>	<b>-</b>	<b>1,082,086</b>
<b>Expenses:</b>								
Program services	771,338	-	-	771,338	789,431	-	-	789,431
Management and general services	240,440	-	-	240,440	208,243	-	-	208,243
Fundraising	107,652	-	-	107,652	71,164	-	-	71,164
	<b>1,119,430</b>	<b>-</b>	<b>-</b>	<b>1,119,430</b>	<b>1,068,838</b>	<b>-</b>	<b>-</b>	<b>1,068,838</b>
Operating Activities: Support and Revenue								
Over (Under) Expenses	(86,209)	(14,760)	-	(100,969)	356,634	(343,386)	-	13,248
<b>Non-Operating Activities:</b>								
Change in assets held by others - New Building	-	242,465	-	242,465	-	1,071,700	-	1,071,700
Building Reimbursement from CWRU	-	217,078	-	217,078	-	-	-	-
Gain on Building Exchange	-	-	-	-	733,207	-	-	733,207
Jewish Federation of Cleveland Special Grant	-	-	-	-	144,832	-	-	144,832
Interest and Fees on Construction Loan	(22,240)	-	-	(22,240)	(887)	-	-	(887)
Loan Fee amortization	(4,293)	-	-	(4,293)	-	-	-	-
Increase in unfunded pension liability	(303,853)	-	-	(303,853)	(62,296)	-	-	(62,296)
Net assets released from restrictions	1,087,821	(1,087,821)	-	-	304,709	(304,709)	-	-
<b>Change In Net Assets</b>	<b>671,226</b>	<b>(643,038)</b>	<b>-</b>	<b>28,188</b>	<b>1,171,490</b>	<b>728,314</b>	<b>-</b>	<b>1,899,804</b>
Net Assets, Beginning of Year	1,155,255	3,161,503	120,000	4,436,758	(16,235)	2,433,189	120,000	2,536,954
<b>Net Assets, End of Year</b>	<b>\$ 1,826,481</b>	<b>\$ 2,518,465</b>	<b>\$ 120,000</b>	<b>\$ 4,464,946</b>	<b>\$ 1,155,255</b>	<b>\$ 3,161,503</b>	<b>\$ 120,000</b>	<b>\$ 4,436,758</b>

See accompanying notes to financial statements.

Cleveland Hillel Foundation, Incorporated

Statements of Functional Expenses

Years Ended June 30,	2016				2015			
	Program Services	Management and General Services	Fundraising	Total	Program Services	Management and General Services	Fundraising	Total
Salaries and wages	\$ 357,596	\$ 136,070	\$ 53,290	\$ 546,956	\$ 488,083	\$ 120,489	\$ 33,698	\$ 642,270
Employee benefits	73,143	16,147	19,881	109,171	75,540	18,686	5,169	99,395
Supplies	95,126	4,228	6,342	105,696	94,127	4,183	6,275	104,585
Professional services	60,880	31,085	2,870	94,835	5,992	21,246	17,548	44,786
Depreciation	53,018	14,138	3,534	70,690	2,776	308	-	3,084
Occupancy	52,045	13,878	3,470	69,393	59,174	14,793	-	73,967
Israel Fellow	20,666	-	-	20,666	19,216	-	-	19,216
Printing	2,275	3,825	9,425	15,525	664	6,453	2,527	9,644
Grants for summer internship program	13,000	-	-	13,000	12,000	-	-	12,000
Transportation	5,801	5,800	440	12,041	2,614	2,614	267	5,495
Staff recruitment	8,332	2,778	-	11,110	-	3,650	-	3,650
Special event	6,844	-	2,282	9,126	12,361	-	1,298	13,659
Advertising	5,438	-	1,360	6,798	3,475	-	869	4,344
Office equipment	4,724	1,574	-	6,298	4,876	1,625	-	6,501
Conferences	3,662	549	1,434	5,645	2,712	375	802	3,889
Postage	2,251	791	2,497	5,539	1,789	628	817	3,234
Moving	2,653	2,652	-	5,305	-	-	-	-
Service charges	-	5,236	-	5,236	-	4,826	-	4,826
Telephone	2,195	549	699	3,443	2,775	694	544	4,013
Web site and IT	1,661	144	-	1,805	1,159	101	895	2,155
Miscellaneous	-	581	-	581	-	200	-	200
Bad debt expense	-	415	-	415	-	2,822	-	2,822
Subscriptions and publications	28	-	128	156	98	-	455	553
Groundbreaking event	-	-	-	-	-	4,550	-	4,550
<b>Total Expenses</b>	<b>\$ 771,338</b>	<b>\$ 240,440</b>	<b>\$ 107,652</b>	<b>\$ 1,119,430</b>	<b>\$ 789,431</b>	<b>\$ 208,243</b>	<b>\$ 71,164</b>	<b>\$ 1,068,838</b>

See accompanying notes to financial statements.

# Cleveland Hillel Foundation, Incorporated

## Statements of Cash Flows

Years Ended June 30,	2016	2015
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 28,188	\$ 1,899,804
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	70,690	3,084
Loan Fee amortization	4,293	-
Loss due to uncollectible pledges and bad debt expense	415	2,822
Non cash contribution - legal services	-	(34,734)
Gain on building exchange	-	(733,207)
Net realized and unrealized loss on investments	9,179	1,474
Net change in assets held by others	(234,680)	(1,071,308)
Increase in accrued pension liability	303,853	62,296
Changes in operating assets and liabilities		
Receivables	(152,519)	(33,414)
Other assets	(4,735)	5,027
Accounts payable and accrued expenses	(116,878)	28,468
<b>Net Cash and Cash Equivalents (Used In)</b>		
<b>Provided By Operating Activities</b>	<b>(92,194)</b>	<b>130,312</b>
<b>Cash Flows From Investing Activities</b>		
Additions to building and improvements	(3,451,063)	(322,002)
Distribution from assets held by others - New Building	1,000,000	395,000
Purchase of investments	(2,969)	(3,104)
<b>Net Cash and Cash Equivalents (Used In)</b>		
<b>Provided By Investing Activities</b>	<b>(2,454,032)</b>	<b>69,894</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from borrowing for building renovation	2,367,445	50,001
Repayment of loans payable	(5,295)	(6,756)
<b>Net Cash and Cash Equivalents Provided By Financing Activities</b>	<b>2,362,150</b>	<b>43,245</b>
<b>Net Change In Cash and Cash Equivalents</b>	<b>(184,076)</b>	<b>243,451</b>
Cash and Cash Equivalents, beginning of year	461,669	218,218
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 277,593</b>	<b>\$ 461,669</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 18,335	\$ 128

### Supplemental Disclosure of Noncash Transactions

During the year ended June 30, 2016, the Foundation placed into service \$817,903 from construction in progress related to the new building (Note 2).

*See accompanying notes to financial statements.*

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *Description of Entity*

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

#### *Basis of Presentation*

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

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

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

#### *Cash and Cash Equivalents*

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

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### *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, 2016 and 2015.

### *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, 2016 and 2015, 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.

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### *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 \$0 at June 30, 2016 and \$34,734 related to the new building project which were included in construction in progress at June 30, 2015.

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

### *Functional Expense Allocation*

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

### *Income Tax Status*

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

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

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, 2016 and 2015.

### *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.

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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During the years ended June 30, 2016 and 2015, the Foundation received 43% and 25% of total support (operating and non-operating support and revenue), respectively, from Federation. In addition, the Foundation received 31% and 35% of total support (operating and non-operating support and revenue) from one donor for the years ended June 30, 2016 and 2015, respectively. As of June 30, 2016, the Foundation had no other significant concentration of credit risk.

### *Use of Estimates*

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

### *Reclassifications*

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 financial statement presentation. The reclassifications had no impact on total net assets.

### *Evaluation of Subsequent Events*

The Foundation has evaluated subsequent events through November 7, 2016, 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.

### *Recent Accounting Pronouncements*

#### *Debt Issuance costs*

In April 2015, the Financial Accounting Standards Board (the "FASB") issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. Under ASU 2015-03, debt issuance costs reported on the balance sheet would be reflected as a direct deduction from the related debt liability rather than as an asset. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, with early adoption permitted. Retrospective application to prior periods is required. Management is currently evaluating the impact of this ASU on its financial statements.

#### *Not-for-Profit Entities - Presentation of Financial Statements of Not-for-Profit Entities*

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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financial statements. The ASU is effective for the Foundation's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its 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 were in progress. A gain on exchange was 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. The Foundation completed construction in December 2015 and moved into the Albert and Norma Geller Hillel Student Center (Geller Building) at CWRU in January 2016.

In accordance with the terms of the agreement with CWRU, CWRU agreed to provide the Foundation with certain infrastructure and support services in the Geller Building. Therefore, costs were incurred in conjunction with the construction for which CWRU has agreed to reimburse the Foundation. The Foundation has considered this reimbursement a contribution from CWRU and has included it on the statement of activities for the year ended June 30, 2016. The related receivable, \$217,078, is included in Other Receivables on the statement of financial position at June 30, 2016 and was collected in full by the Foundation subsequent to year end.



# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### 3. Fair Value Measurements

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

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

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

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

#### *Cash and cash equivalents*

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

#### *Jewish Federation of Cleveland (Federation) Pooled Funds*

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

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### *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 2016, the payout ranged from .80% - .90% and during fiscal 2015, the payout ranged from 0.75% - 0.85%.

### *Main Investment Fund*

MIF is comprised primarily of fixed income and equity investments. Certain assets that are held in common trust funds are valued based on the net asset value of the units held. The MIF also includes alternative investments, which invest primarily in public and private equities. These investments are valued based on reports provided by investment managers and the Federation has not changed the fair value pricing methodology. MIF private equity investments have a target allocation of 10% of the MIF pool. These investments totaled 1.5% of the MIF portfolio as of June 30, 2016 and 0.80% as of June 30, 2015. Beginning in October 2015, real estate investments were added to the MIF with a 5% target allocation. These investments totaled 3.2% of the MIF portfolio as of June 30, 2016. The Foundation is credited a pro rata share of investment returns based upon units of ownership interest.

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

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

### *Assets Held by Others*

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

The following investments are measured at fair value on a recurring basis during the years ended June 30, 2016 and 2015, 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, 2016</i>	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 141,514	\$ -	\$ -	\$ 141,514
Investments				
Federation Money Fund	-	45,400	-	45,400
Federation Main Investment Fund	-	236,598	-	236,598
Assets held by others - Endowment	-	-	166,787	166,787
	<b>\$ 141,514</b>	<b>\$ 281,998</b>	<b>\$ 166,787</b>	<b>\$ 590,299</b>

<i>June 30, 2015</i>	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
	<b>\$ 137,151</b>	<b>\$ 288,208</b>	<b>\$ 174,572</b>	<b>\$ 599,931</b>

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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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, 2016 and 2015:

	Assets Held By Others - Endowment
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
Total realized and unrealized losses	(7,356)
Contributions	-
Investment income	321
Distributions	(750)
Balance - June 30, 2016	\$ 166,787

The changes in unrealized gains or losses relating to level 3 assets held as of June 30, 2016 and 2015 were \$(7,356) and \$(773), 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.

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### *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

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### *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, 2016 and 2015, 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.

### *Strategies Employed for Achieving Objectives*

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

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

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

Endowment net asset composition by type of fund as of:

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

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

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

Change in endowment net assets for the fiscal years ended June 30, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
Investment return:				
Investment income	-	321	-	321
Net depreciation (realized and unrealized)	-	(7,356)	-	(7,356)
Total investment return	-	(7,035)	-	(7,035)
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(750)	-	(750)
Endowment net assets, June 30, 2016	\$ -	\$ 46,787	\$ 120,000	\$ 166,787

### 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.

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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Restricted pledges receivable were as follows:

*June 30, 2016*

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Receivable in less than one year	\$	26,166
Receivable in one to five years		4,000
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Balance - June 30, 2016	\$	30,166

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All unrestricted pledges and grants receivable, \$36,424 at June 30, 2016, are expected to be collected in less than one year.

### 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 funded the construction, working capital and other certain financing costs related to the Foundation's building renovation (see Note 2). The Lender Retention Option occurs on April 1, 2022 and may be extended thereafter. 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 1.28596% and 1.10328% at June 30, 2016 and 2015, respectively) and is payable monthly. As of June 30, 2016, \$2,417,446 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:

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2017	\$	70,000
2018		150,714
2019		153,743
2020		156,833
2021		159,986
Thereafter		2,608,724
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	\$	3,300,000

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Subsequent to year end, the Foundation was in the process of amending the financing agreement to reflect the actual outstanding borrowings of \$2,417,446 as the Foundation has no intention of borrowing further on this debt.



# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

### *Loan Payable*

The Foundation has several unsecured, interest-free loans from Federation used to pay certain operating and capital costs. As of June 30, 2016, the loans are due in installments as follows:

2017	\$	1,739
2018		372
<b>Total</b>	<b>\$</b>	<b>2,111</b>

## 7. Net Assets

Temporarily restricted net assets are available for the following purposes:

<i>June 30,</i>	2016	2015
Building renovations and operations	\$ 2,214,443	\$ 2,842,836
Summer internship	71,435	54,185
Community service, scholarships and cultural programming	93,887	95,979
Time restricted contributions	9,000	23,250
Support for the arts	52,068	59,853
JCLE	13,667	11,593
Israel	7,498	6,832
Social justice	18,477	19,267
General program	32,036	41,754
Equipment	5,954	5,954
<b>Total</b>	<b>\$ 2,518,465</b>	<b>\$ 3,161,503</b>

Net assets were released from donor restrictions by incurring costs satisfying the restricted purposes as follows:

<i>Years Ended June 30,</i>	2016	2015
Building renovations and operations	\$ 1,087,821	\$ 304,709
Summer internship	79,041	93,283
JCLE	6,425	8,132
General program	30,431	33,333
Israel	20,833	20,918
Passage of time	11,250	19,038
Equipment	-	238
Social justice	549	432
<b>Total released from restrictions</b>	<b>\$ 1,236,350</b>	<b>\$ 480,083</b>

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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

<i>June 30,</i>	2016	2015
Support of the arts	\$ 100,000	\$ 100,000
Shabbat dinner	10,000	10,000
Periodic guest lecture	10,000	10,000
Total permanently restricted net assets	\$ 120,000	\$ 120,000

### 8. Pension Plan

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

The Plan is administered by Federation. Required contributions to the Plan are allocated among Federation and its agencies, including the Foundation, as calculated by an actuary. The allocation is based principally on actuarial accrued liabilities which reflect the specific demographics of each participating employer in the Plan. The Foundation's policy is to fund its share of these allocated contributions annually. For the years ended June 30, 2016 and 2015, the Foundation has recorded on its statement of activities pension plan expense of \$9,524 in each of the years. These amounts represent contributions made by the Foundation on behalf of its participants.

Benefits paid to participants and beneficiaries who were employed at the Foundation were \$98,934 in 2016 and \$46,760 in 2015.

#### *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, 2016 and 2015, the Foundation's share of the Plan's unfunded liability was \$634,797 and \$330,944, respectively and is reported on the statements of financial position as an accrued pension liability. The Foundation has recorded on its statements of activities increases of \$303,853 and \$62,296 in pension liability which represents the change in the Foundation's share of the Plan's unfunded liability for the years ended June 30, 2016 and 2015, respectively.

# Cleveland Hillel Foundation, Incorporated

## Notes to Financial Statements

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### *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 \$4,305 and \$4,845 for the years ended June 30, 2016 and 2015, respectively.

### **9. Lease Commitments**

The Foundation leases office equipment, a car and an apartment under operating lease agreements. Rent expense was \$19,587 and \$16,736 for the years ended June 30, 2016 and 2015, respectively. The remaining payments required under the leases as of June 30, 2016 are \$9,455 during fiscal year ending June 30, 2017 and \$6,463 during the fiscal year ending 2018 and \$4,910 during fiscal year ending 2019.

### **10. Rental Income and In-kind Contribution Free Rent**

The Foundation leased office space in their former building to CWRU through the date of the building exchange (Note 2) on a month to month basis. Rental income under this lease was \$22,420 for the year ended June 30, 2015. After the building exchange, the Foundation continued to occupy the space in their former building rent free. Accordingly, an in-kind contribution and a corresponding rent expense of \$44,840 and \$37,367 for the years ended June 30, 2016 and 2015, respectively, has been recorded in the statements for the value of the free rent.

Beginning in January 2016, the Foundation leased classroom space to CWRU in the newly opened Albert and Norma Geller Hillel Student Center at CWRU under the Provision for Joint Use Agreement (the Agreement). The term of the Agreement extends through December 31, 2022. Rental income under this agreement was \$20,429 for the year ended June 30, 2016 and has been included in rental income on the statement of activities.

Future minimum rental income under the terms of the Agreement at June 30, 2016 are as follows:

2017	\$	40,857
2018		40,857
2019		40,857
2020		40,857
2021		40,857
Thereafter		61,284
	\$	265,569

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