

**CLEVELAND HILLEL
FOUNDATION,
INCORPORATED**

***FINANCIAL
STATEMENTS***

***FOR THE
YEARS ENDED
JUNE 30,
2014 AND 2013***

CLEVELAND HILLEL FOUNDATION, INCORPORATED

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INDEPENDENT AUDITORS' REPORT

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, 2014 and 2013 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.

Auditors' 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 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 auditors' 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.

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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, 2014 and 2013 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.

SS&G, Inc.

November 10, 2014

SS&G

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CLEVELAND HILLEL FOUNDATION, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

	<u>JUNE 30,</u>	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 75,119	\$ 71,012
Cash equivalents	143,099	144,881
Investments	286,577	247,439
Receivables		
Unrestricted pledges and grants	23,991	43,866
Restricted pledges and grants	74,737	82,850
Other	4,144	8,658
Assets held by others - Endowment	174,964	152,110
Assets held by others - New Building	2,073,551	68,475
Other assets	5,931	454
Property		
Land	16,793	16,793
Buildings and improvements	794,553	794,553
Furniture and equipment	302,556	302,556
	<u>1,113,902</u>	1,113,902
Less accumulated depreciation	<u>(1,088,945)</u>	<u>(1,085,414)</u>
	24,957	28,488
Construction in progress	<u>59,592</u>	<u>28,405</u>
Total Property	<u>84,549</u>	<u>56,893</u>
TOTAL ASSETS	<u>\$ 2,946,662</u>	<u>\$ 876,638</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 124,098	\$ 37,464
Accrued pension liability (Note G)	268,648	373,045
Loans payable - Jewish Federation of Cleveland	14,162	20,621
Deferred deposits	<u>2,800</u>	<u>2,800</u>
TOTAL LIABILITIES	409,708	433,930
Net assets		
Unrestricted	(16,235)	(83,596)
Temporarily restricted	2,433,189	406,304
Permanently restricted	<u>120,000</u>	<u>120,000</u>
TOTAL NET ASSETS	<u>2,536,954</u>	<u>442,708</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,946,662</u>	<u>\$ 876,638</u>

See accompanying notes to financial statements.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE (OPERATING):								
Jewish Federation of Cleveland allocation	\$ 616,722	\$ -	\$ -	\$ 616,722	\$ 616,722	\$ -	\$ -	\$ 616,722
Contributions and other grants - current year	187,821	140,383	-	328,204	189,360	183,206	-	372,566
Renaissance Society contributions-receivable in future years	-	22,500	-	22,500	-	18,000	-	18,000
Allocation and grants from Hillel International	-	18,000	-	18,000	4,232	18,600	-	22,832
Program service fees	22,285	-	-	22,285	25,964	-	-	25,964
Rental income	49,240	-	-	49,240	49,290	-	-	49,290
Special events	36,712	-	-	36,712	18,166	3,250	-	21,416
Interest and dividend income	1,891	969	-	2,860	2,091	1,089	-	3,180
Net realized and unrealized gain on investments	24,115	12,191	-	36,306	13,195	6,670	-	19,865
Net change in assets held by others - Endowment	4,285	19,023	-	23,308	9,666	5,331	-	14,997
Loss due to uncollectible pledges	-	(12,000)	-	(12,000)	-	-	-	-
Net assets released from restrictions	179,257	(179,257)	-	-	292,967	(292,967)	-	-
	<u>1,122,328</u>	<u>21,809</u>	<u>-</u>	<u>1,144,137</u>	<u>1,221,653</u>	<u>(56,821)</u>	<u>-</u>	<u>1,164,832</u>
EXPENSES:								
Program services	786,363	-	-	786,363	832,542	-	-	832,542
Management and general services	301,058	-	-	301,058	226,474	-	-	226,474
Fundraising	71,943	-	-	71,943	80,452	-	-	80,452
	<u>1,159,364</u>	<u>-</u>	<u>-</u>	<u>1,159,364</u>	<u>1,139,468</u>	<u>-</u>	<u>-</u>	<u>1,139,468</u>
SUPPORT AND REVENUE (UNDER) OVER EXPENSES (OPERATING)	(37,036)	21,809	-	(15,227)	82,185	(56,821)	-	25,364
CHANGE IN ASSETS HELD BY OTHERS - NEW BUILDING (NON OPERATING)	-	2,005,076	-	2,005,076	-	68,475	-	68,475
DECREASE IN UNFUNDED PENSION LIABILITY	<u>104,397</u>	<u>-</u>	<u>-</u>	<u>104,397</u>	<u>131,149</u>	<u>-</u>	<u>-</u>	<u>131,149</u>
CHANGE IN NET ASSETS	67,361	2,026,885	-	2,094,246	213,334	11,654	-	224,988
NET ASSETS, BEGINNING OF YEAR	<u>(83,596)</u>	<u>406,304</u>	<u>120,000</u>	<u>442,708</u>	<u>(296,930)</u>	<u>394,650</u>	<u>120,000</u>	<u>217,720</u>
NET ASSETS, END OF YEAR	<u>\$ (16,235)</u>	<u>\$ 2,433,189</u>	<u>\$ 120,000</u>	<u>\$ 2,536,954</u>	<u>\$ (83,596)</u>	<u>\$ 406,304</u>	<u>\$ 120,000</u>	<u>\$ 442,708</u>

See accompanying notes to financial statements.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014				2013			
	Program Services	Management and General Services	Fundraising	Total	Program Services	Management and General Services	Fundraising	Total
Salaries and wages	\$ 471,984	\$ 191,105	\$ 26,155	\$ 689,244	\$ 477,397	\$ 119,748	\$ 62,684	\$ 659,829
Employee benefits	85,231	54,894	4,334	144,459	74,841	48,203	3,805	126,849
Supplies	104,153	4,629	6,944	115,726	148,244	6,589	9,883	164,716
Professional services	6,099	21,623	27,581	55,303	6,013	21,321	-	27,334
Occupancy	40,445	10,111	-	50,556	46,654	11,664	-	58,318
Special event	20,440	-	-	20,440	16,315	-	-	16,315
Israel Fellow	14,934	-	-	14,934	15,907	-	-	15,907
Printing	4,761	5,811	1,581	12,153	4,683	5,811	88	10,582
Grants for summer internship program	12,000	-	-	12,000	11,000	-	-	11,000
Conferences	3,825	448	1,994	6,267	3,891	973	-	4,864
Transportation	3,024	3,024	115	6,163	2,662	2,661	-	5,323
Telephone	4,805	1,201	-	6,006	4,336	1,084	-	5,420
Office equipment	4,224	1,408	-	5,632	4,086	1,362	-	5,448
Advertising	4,042	-	1,010	5,052	6,807	-	1,702	8,509
Service charges	-	4,807	-	4,807	-	4,913	-	4,913
Postage	2,602	914	1,289	4,805	2,859	1,021	1,225	5,105
Depreciation	3,178	353	-	3,531	3,729	414	-	4,143
Web site and IT	340	30	895	1,265	2,862	250	465	3,577
Subscriptions and publications	276	24	45	345	256	64	600	920
Miscellaneous	-	276	-	276	-	201	-	201
Bad debt expense	-	400	-	400	-	-	-	-
Building initiative expense	-	-	-	-	-	195	-	195
TOTAL EXPENSES	\$ 786,363	\$ 301,058	\$ 71,943	\$ 1,159,364	\$ 832,542	\$ 226,474	\$ 80,452	\$ 1,139,468

See accompanying notes to financial statements.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,094,246	\$ 224,988
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
Depreciation	3,531	4,143
Loss due to uncollectible pledges and bad debt expense	12,400	-
Non cash contribution - legal services	(23,187)	(20,250)
Net realized and unrealized gain on investments	(36,306)	(19,865)
Net change in assets held by others	(2,027,930)	(82,297)
Decrease in accrued pension liability	(104,397)	(131,149)
Changes in operating assets and liabilities		
Receivables	20,102	(52,621)
Other assets	(5,477)	2,520
Accounts payable and accrued expenses	<u>86,634</u>	<u>3,584</u>
NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES	19,616	(70,947)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property	(8,000)	(8,155)
Sale of investments	-	1,100
Purchase of investments	<u>(2,832)</u>	<u>(3,142)</u>
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	(10,832)	(10,197)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans payable	<u>(6,459)</u>	<u>(5,060)</u>
NET CASH AND CASH EQUIVALENTS USED IN FINANCING ACTIVITIES	(6,459)	(5,060)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,325	(86,204)
CASH AND CASH EQUIVALENTS, beginning of year	<u>215,893</u>	<u>302,097</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 218,218</u>	<u>\$ 215,893</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS

The Foundation received non cash contributions of legal services of \$23,187 and \$20,250 during the years ended June 30, 2014 and 2013, respectively, which have been included in construction in progress on the statements of financial position.

See accompanying notes to financial statements.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies

Description of entity

The Cleveland Hillel Foundation, Incorporated (the Foundation) was established in June 1947 as a not-for-profit organization under the laws of Ohio and is tax exempt under the Internal Revenue Code Section 501(c)(3). The primary purpose of the Foundation is to provide cultural, social, and religious programming, while maintaining a visible and positive Jewish presence on campus that encourages and expands Jewish identity, values, and commitment among Jewish college students in Northeast Ohio. The Foundation predominately serves undergraduate, graduate and professional students attending Case Western Reserve University (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. As of June 30, 2014 and 2013, unrestricted net assets are listed as a negative balance, due in large part to the accrual of pension expense as described more fully in Note G. Temporarily restricted net assets are from contributions and other receipts of assets whose use by the Foundation is limited by donor-imposed stipulations to a specific time period or purpose. Permanently restricted net assets are from contributions whose use by the Foundation is restricted in perpetuity.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies, continued

Cash and cash equivalents

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

Investments and investment income

The Foundation 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, 2014 and 2013.

Property

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

Assets held by others-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 annual distributions for various purposes from these funds. The corpus is recorded as permanently restricted assets. See Note C.

Assets held by others-New Building

The Foundation is working with CWRU to secure a building that will be renovated and located on the CWRU campus. The Foundation is a beneficiary of funds being held by CWRU for the purpose of this new student center for the Foundation. Changes to these funds have been reflected as non-operating support on the statements of activities. The Foundation entered into an agreement with CWRU related to the new student center building subsequent to year end (Note J).

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies, continued

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged. Pledges receivable are unconditional commitments by donors that have not been received by the Foundation. Contributions received are recorded as unrestricted or restricted support, depending on the existence and/or nature of any donor restrictions.

Donated services

A substantial number of volunteers donate significant amounts of time to the Foundation's program services. However, 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 professional services of \$23,187 and \$20,250 related to the new building project which were included in construction in progress at June 30, 2014 and 2013.

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 2011 through 2014. 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, 2014 and 2013.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies, continued

Concentrations of credit risk

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

During the years ended June 30, 2014 and 2013, the Foundation received 54% and 50% of total support and revenue, respectively, from Federation to support operations. In addition, the Foundation received 64% of total operating revenue and non-operating support and revenue from one organization for the year ended June 30, 2014. As of June 30, 2014, 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 June 30, 2013 amounts have been reclassified to conform with the June 30, 2014 presentation. Such reclassification had no effect on reported net assets.

Evaluation of subsequent events

The Foundation has evaluated subsequent events through November 10, 2014, which is the date the financial statements were available to be issued, and has determined that there were no subsequent events to recognize or disclose in these financial statements.

NOTE B - Fair value measurements

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.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE B - Fair value measurements, continued

- 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.

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 2014, the payout ranged from 0.65% - 0.70% and during fiscal 2013 the payout ranged from 0.75% - 0.90%.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE B - Fair value measurements, continued

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 as Level 3 within the fair value hierarchy.

The following investments are measured at fair value on a recurring basis during the years ended June 30, 2014 and 2013, using unadjusted quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	<u>June 30, 2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
New Building	-	-	2,073,551	2,073,551
Total investments	<u>\$ 143,099</u>	<u>\$ 286,577</u>	<u>\$ 2,248,515</u>	<u>\$ 2,678,191</u>

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE B - Fair value measurements, continued

Description	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 144,881	\$ -	\$ -	\$ 144,881
Investments				
Federation Money Fund	-	36,493	-	36,493
Federation Main Investment Fund	-	210,946	-	210,946
Assets held by others				
Endowment	-	-	152,110	152,110
New Building	-	-	68,475	68,475
Total investments	<u>\$ 144,881</u>	<u>\$ 247,439</u>	<u>\$ 220,585</u>	<u>\$ 612,905</u>

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2014 and 2013:

	Assets Held By Others		Total Level 3
	Endowment	New Building	Investments
Balance - July 1, 2012	\$ 138,288	\$ -	\$ 138,288
Total realized and unrealized gains	14,538	-	14,538
Contributions	3,018	68,475	71,493
Investment income	459	-	459
Distributions	<u>(4,193)</u>	<u>-</u>	<u>(4,193)</u>
Balance - June 30, 2013	152,110	68,475	220,585
Total realized and unrealized gains	22,951	-	22,951
Contributions	23	2,005,076	2,005,099
Investment income	357	-	357
Distributions	<u>(477)</u>	<u>-</u>	<u>(477)</u>
Balance - June 30, 2014	<u>\$ 174,964</u>	<u>\$ 2,073,551</u>	<u>\$ 2,248,515</u>

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE B - Fair value measurements, continued

The changes in unrealized gains relating to level 3 assets held as of June 30, 2014 and 2013 were \$22,951 and \$14,538, respectively.

NOTE C - Endowments

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

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

Interpretation of relevant law

The Board of Directors (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

NOTE C - Endowments, continued

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value of such fund. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$4,285 as of June 30, 2014 and 2013, respectively. These deficiencies were the result of losses in global investment markets.

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.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE C - Endowments, continued

Endowment net asset composition by type of fund as of:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<hr/> June 30, 2014 <hr/>				
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 54,964</u>	<u>\$ 120,000</u>	<u>\$ 174,964</u>
 <hr/> June 30, 2013 <hr/>				
Donor-restricted endowment funds	<u>\$ (4,285)</u>	<u>\$ 36,395</u>	<u>\$ 120,000</u>	<u>\$ 152,110</u>

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE C - Endowments, continued

Change in endowment net assets for the fiscal years ended June 30, 2014 and 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2012	\$ (10,238)	\$ 28,526	\$ 120,000	\$ 138,288
Investment return:				
Investment income	248	211	-	459
Net appreciation (realized and unrealized)	<u>9,418</u>	<u>5,120</u>	<u>-</u>	<u>14,538</u>
Total investment return	9,666	5,331	-	4,997
Contributions	-	3,018	-	3,018
Appropriation of endowment assets for expenditure	<u>(3,713)</u>	<u>(480)</u>	<u>-</u>	<u>(4,193)</u>
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)	<u>4,285</u>	<u>18,666</u>	<u>-</u>	<u>22,951</u>
Total investment return	4,285	19,023	-	23,308
Contributions	-	23	-	23
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(477)</u>	<u>-</u>	<u>(477)</u>
Endowment net assets, June 30, 2014	<u>\$ -</u>	<u>\$ 54,964</u>	<u>\$ 120,000</u>	<u>\$ 174,964</u>

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE D – Restricted pledges and grants receivable

Restricted pledges and grants receivable represent promises to give that have been made for a particular purpose by donors but 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, 2014:

Receivable in less than one year	\$ 36,037
Receivable in one to five years	<u>38,700</u>
	<u>\$ 74,737</u>

NOTE E - Loans payable

The Foundation has several unsecured, interest-free loans from Federation used to pay certain operating and capital costs. As of June 30, 2014, the loans are due in installments as follows:

Year ending <u>June 30,</u>	<u>Total</u>
2015	\$ 6,756
2016	5,295
2017	1,739
2018	<u>372</u>
Total	<u>\$ 14,162</u>

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE F - Net assets

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

	<u>2014</u>	<u>2013</u>
Summer internship	\$ 60,224	\$ 57,124
Community service, scholarships and cultural programming	95,441	86,017
Time restricted contributions	61,737	74,100
Support for the arts	60,145	42,448
JCLE	15,410	16,828
Israel	7,500	5,834
Social justice	18,150	18,986
General program	34,380	28,027
New building renovation and operations	2,073,551	68,475
Building project	480	-
Equipment	<u>6,171</u>	<u>8,465</u>
Total	<u>\$ 2,433,189</u>	<u>\$ 406,304</u>

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

	<u>2014</u>	<u>2013</u>
Summer internship	\$ 97,702	\$ 146,018
JCLE	12,654	39,847
General program	40,303	40,118
Israel	18,834	36,657
Administrative	2,294	12,634
Support for the arts	5,585	5,461
Social justice	<u>1,885</u>	<u>12,232</u>
Total released from restrictions	<u>\$ 179,257</u>	<u>\$ 292,967</u>

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE F - Net assets, continued

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

	<u>2014</u>	<u>2013</u>
Support of the arts	\$ 100,000	\$ 100,000
Shabbat dinner	10,000	10,000
Periodic guest lecture	<u>10,000</u>	<u>10,000</u>
Total permanently restricted net assets	<u>\$ 120,000</u>	<u>\$ 120,000</u>

NOTE G - 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 (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, 2014 and 2013, Foundation has recorded on its statement of activities pension plan expense of \$27,892 and \$23,330, respectively. These amounts represent contributions made by the Foundation on behalf of its participants.

CLEVELAND HILLEL FOUNDATION, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

NOTE G - Pension plan, continued

Benefits paid to participants and beneficiaries who were employed at the Foundation were \$37,409 in 2014 and \$30,628 in 2013.

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, 2014 and 2013 the Foundation's share of the Plan's unfunded liability was \$268,648 and \$373,045, respectively and is reported on the statements of financial position as an accrued pension liability. The Foundation has recorded on its statements of activities decreases of \$104,397 and \$131,149 in pension liability which represents the change in the Foundation's share of the Plan's unfunded liability for the years ended June 30, 2014 and 2013, respectively.

Defined contribution plan

As of July 1, 2009, the Foundation began participation in the Jewish Federation of Cleveland 403(b) Retirement Plan (the 403(b) plan). Under this program, employees may defer portions of their salary, and the Foundation may make discretionary non-elective or matching contributions on behalf of its employees. Contributions to the 403(b) plan by the Foundation were \$5,832 and \$6,628 for the years ended June 30, 2014 and 2013, respectively.

NOTE H - Lease commitments

The Foundation leases office equipment, a car and an apartment under operating lease agreements. Rent expense was \$17,043 and \$17,703 for the years ended June 30, 2014 and 2013, respectively. The remaining payments required under the leases as of June 30, 2014 are \$16,411 during fiscal year ending June 30, 2015 and \$5,580 during the fiscal years ending 2016, 2017, 2018 and \$4,185 during fiscal year ending 2019.

NOTE I - Rental income

The Foundation renewed its lease agreement to lease office space to the CWRU through September 30, 2013. Upon expiration of this lease agreement, the University has been renting on a month to month basis. Annual rental income under this lease was \$44,840 for the years ended June 30, 2014 and 2013.