

**CLEVELAND HILLEL  
FOUNDATION,  
INCORPORATED**

***FINANCIAL  
STATEMENTS***

***FOR THE  
YEARS ENDED  
JUNE 30,  
2013 AND 2012***

**CLEVELAND HILLEL FOUNDATION, INCORPORATED**

**TABLE OF CONTENTS**

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	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position .....	3
Statements of Activities and Changes in Net Assets .....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows.....	6
Notes to Financial Statements .....	7-20

Cleveland Office  
32125 Solon Road  
Cleveland, OH 44139  
440-248-8787  
fax: 440-248-0841  
www.SSandG.com

## 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, 2013 and 2012 and the related statements of activities and changes in net assets, 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, 2013 and 2012 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.*

October 21, 2013

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**CLEVELAND HILLEL FOUNDATION, INCORPORATED****STATEMENTS OF FINANCIAL POSITION**

	<b>JUNE 30,</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>ASSETS</b>		
Cash	\$ 71,012	\$ 77,856
Cash equivalents	144,881	224,241
Investments	247,439	225,532
Receivables		
Unrestricted pledges and grants	43,866	2,568
Restricted pledges and grants	82,850	74,800
Other	8,658	5,385
Assets held by others - Endowment	152,110	138,288
Assets held by others - New Building	68,475	-
Other assets	454	2,574
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>	<u>1,113,902</u>
Less accumulated depreciation	<u>(1,085,414)</u>	<u>(1,081,271)</u>
	28,488	32,631
Construction in progress	<u>28,405</u>	<u>-</u>
Total Property	<u>56,893</u>	<u>32,631</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 876,638</u></b>	<b><u>\$ 783,875</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 37,464	\$ 33,880
Accrued pension liability (Note G)	373,045	504,194
Loans payable - Jewish Federation of Cleveland	20,621	25,681
Deferred deposits	<u>2,800</u>	<u>2,400</u>
<b>TOTAL LIABILITIES</b>	<b>433,930</b>	566,155
Net assets		
Unrestricted	(83,596)	(296,930)
Temporarily restricted	406,304	394,650
Permanently restricted	<u>120,000</u>	<u>120,000</u>
<b>TOTAL NET ASSETS</b>	<b><u>442,708</u></b>	<b><u>217,720</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 876,638</u></b>	<b><u>\$ 783,875</u></b>

*See accompanying notes to financial statements.*

**CLEVELAND HILLEL FOUNDATION, INCORPORATED**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Jewish Federation of Cleveland allocation	\$ 616,722	\$ -	\$ -	\$ 616,722	\$ 608,221	\$ -	\$ -	\$ 608,221
Contributions and other grants - current year	189,360	183,206	-	372,566	164,416	170,163	-	334,579
Renaissance Society contributions-receivable in future years	-	18,000	-	18,000	-	74,800	-	74,800
Allocation and grants from Hillel International	4,232	18,600	-	22,832	4,067	10,500	-	14,567
Program service fees	25,964	-	-	25,964	24,331	-	-	24,331
Rental income	49,290	-	-	49,290	49,203	-	-	49,203
Special events	18,166	3,250	-	21,416	11,230	-	-	11,230
Interest and dividend income	2,091	1,089	-	3,180	1,231	685	-	1,916
Net realized and unrealized gain (loss) on investments	13,195	6,670	-	19,865	(6,249)	(3,156)	-	(9,405)
Change in assets held by others - Endowment	248	211	-	459	(262)	(60)	-	(322)
Unrealized gain (loss) on assets held by others - Endowment	9,418	5,120	-	14,538	(3,976)	(2,097)	-	(6,073)
Change in assets held by others - New Building	-	68,475	-	68,475	-	-	-	-
Miscellaneous income	-	-	-	-	148	-	-	148
Net assets released from restrictions	292,967	(292,967)	-	-	218,655	(218,655)	-	-
	<u>1,221,653</u>	<u>11,654</u>	<u>-</u>	<u>1,233,307</u>	<u>1,071,015</u>	<u>32,180</u>	<u>-</u>	<u>1,103,195</u>
EXPENSES:								
Program services	832,542	-	-	832,542	744,890	-	-	744,890
Management and general services	226,474	-	-	226,474	224,432	-	-	224,432
Fundraising	80,452	-	-	80,452	72,268	-	-	72,268
	<u>1,139,468</u>	<u>-</u>	<u>-</u>	<u>1,139,468</u>	<u>1,041,590</u>	<u>-</u>	<u>-</u>	<u>1,041,590</u>
SUPPORT AND REVENUE OVER EXPENSES	82,185	11,654	-	93,839	29,425	32,180	-	61,605
DECREASE (INCREASE) IN UNFUNDED PENSION LIABILITY	<u>131,149</u>	<u>-</u>	<u>-</u>	<u>131,149</u>	<u>(204,379)</u>	<u>-</u>	<u>-</u>	<u>(204,379)</u>
CHANGE IN NET ASSETS	213,334	11,654	-	224,988	(174,954)	32,180	-	(142,774)
NET ASSETS, BEGINNING OF YEAR	<u>(296,930)</u>	<u>394,650</u>	<u>120,000</u>	<u>217,720</u>	<u>(121,976)</u>	<u>362,470</u>	<u>120,000</u>	<u>360,494</u>
NET ASSETS, END 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>

See accompanying notes to financial statements.

**CLEVELAND HILLEL FOUNDATION, INCORPORATED**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013				2012			
	<u>Program Services</u>	<u>Management and General Services</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 477,397	\$ 119,748	\$ 62,684	\$ 659,829	\$ 421,316	\$ 115,713	\$ 56,373	\$ 593,402
Supplies	148,244	6,589	9,883	164,716	132,753	5,900	8,850	147,503
Employee benefits	74,841	48,203	3,805	126,849	75,067	48,348	3,817	127,232
Occupancy	46,654	11,664	-	58,318	40,693	10,173	-	50,866
Professional services	6,013	21,321	-	27,334	5,966	21,152	-	27,118
Special event	16,315	-	-	16,315	7,259	-	-	7,259
Israel Fellow	15,907	-	-	15,907	16,094	-	-	16,094
Grants for summer internship program	11,000	-	-	11,000	-	-	-	-
Printing	4,683	5,811	88	10,582	13,309	3,327	-	16,636
Advertising	6,807	-	1,702	8,509	5,567	-	1,392	6,959
Office equipment	4,086	1,362	-	5,448	4,172	1,391	-	5,563
Telephone	4,336	1,084	-	5,420	4,402	1,100	-	5,502
Transportation	2,662	2,661	-	5,323	2,633	2,634	-	5,267
Postage	2,859	1,021	1,225	5,105	2,386	852	1,023	4,261
Service charges	-	4,913	-	4,913	-	3,846	-	3,846
Conferences	3,891	973	-	4,864	6,246	1,562	-	7,808
Depreciation	3,729	414	-	4,143	2,027	225	-	2,252
Web site and IT	2,862	250	465	3,577	4,696	411	763	5,870
Subscriptions and publications	256	64	600	920	304	27	50	381
Miscellaneous	-	201	-	201	-	1,676	-	1,676
Building initiative expense	-	195	-	195	-	5,095	-	5,095
Staff recruitment	-	-	-	-	-	1,000	-	1,000
<b>TOTAL EXPENSES</b>	<b>\$ 832,542</b>	<b>\$ 226,474</b>	<b>\$ 80,452</b>	<b>\$ 1,139,468</b>	<b>\$ 744,890</b>	<b>\$ 224,432</b>	<b>\$ 72,268</b>	<b>\$ 1,041,590</b>

*See accompanying notes to financial statements.*

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 224,988	\$ (142,774)
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities		
Depreciation	4,143	2,252
Uncollectible pledges	-	1,250
Non cash contribution - legal services	(20,250)	-
Net (gain) loss on investments	(19,865)	9,405
Net change in assets held by others	(82,297)	12,068
(Decrease) increase in accrued pension liability	(131,149)	204,379
Changes in operating assets and liabilities		
Receivables	(52,621)	(59,801)
Other assets	2,520	(60)
Accounts payable and accrued expenses	<u>3,584</u>	<u>3,642</u>
<b>NET CASH AND CASH EQUIVALENTS (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(70,947)</b>	<b>30,361</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property	(8,155)	(15,420)
Sale of investments	1,100	-
Purchase of investments	<u>(3,142)</u>	<u>(1,846)</u>
<b>NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES</b>	<b>(10,197)</b>	<b>(17,266)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan proceeds	-	3,106
Repayment of loans payable	<u>(5,060)</u>	<u>(3,196)</u>
<b>NET CASH AND CASH EQUIVALENTS USED IN FINANCING ACTIVITIES</b>	<b>(5,060)</b>	<b>(90)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(86,204)</b>	<b>13,005</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b><u>302,097</u></b>	<b><u>289,092</u></b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b><u>\$ 215,893</u></b>	<b><u>\$ 302,097</u></b>

See accompanying notes to financial statements.



# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 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 and changes in net assets as net assets released from restrictions.

Unrestricted net assets represent revenue producing activities, primarily the Federation annual allocation, investment gains and losses and donations with no donor imposed restrictions, offset by programming, management and fundraising expenses. As of June 30, 2013 and 2012, 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

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### 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, 2013 and 2012.

#### 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.

#### 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 a new student center for the Foundation.

#### 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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### NOTE A - Summary of significant accounting policies, continued

#### Donated services

A substantial number of volunteers donate significant amounts of time to the Foundation's program services. However, 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. In the current year, the Foundation recorded donated legal services of \$20,250 related to the new building project which were included in construction in progress at June 30, 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 the 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 service, 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 2010 through 2013. 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.

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, 2013 and 2012.

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2013 and 2012, total contribution revenue of 50% and 55%, respectively was received from Federation. As of June 30, 2013, the Foundation had no other significant concentration of credit risk.

#### Use of estimates

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

#### Evaluation of subsequent events

The Foundation has evaluated subsequent events through October 21, 2013, 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.
- 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.

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### NOTE B - Fair value measurements, continued

- Level 3 – Valuations derived from other methodologies, including pricing models, discounted cash flow models and similar techniques, and not based on market, dealer, or broker-traded transactions. The determination of fair value requires significant management judgment or estimation.

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

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

#### Cash and cash equivalents

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

#### Assets Held by Others

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

#### 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 2013, the payout ranged from 0.75% - 0.90% and during fiscal 2012 the payout was 1.00%.

#### 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 further diversified its investments to include alternative investments, which invest in equities and commodities. The Foundation is credited a pro rata share of investment returns based upon units of ownership interest.

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### NOTE B - Fair value measurements, continued

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.

The following investments are measured at fair value on a recurring basis during the years ended June 30, 2013 and 2012, 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>June 30, 2013</u>			
<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>-</u>	<u>-</u>	<u>220,585</u>	<u>220,585</u>
Total investments	<u>\$ 144,881</u>	<u>\$ 247,439</u>	<u>\$ 220,585</u>	<u>\$ 612,905</u>

	<u>June 30, 2012</u>			
<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 224,241	\$ -	\$ -	\$ 224,241
Investments				
Federation Money Fund	-	34,452	-	34,452
Federation Main Investment Fund	-	191,080	-	191,080
Assets held by others	<u>-</u>	<u>-</u>	<u>138,288</u>	<u>138,288</u>
Total investments	<u>\$ 224,241</u>	<u>\$ 225,532</u>	<u>\$ 138,288</u>	<u>\$ 588,061</u>

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### NOTE B - Fair value measurements, continued

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, 2013 and 2012:

	<u>Investments</u>	<u>Assets Held by Others</u>	<u>Total Level 3 Investments</u>
Balance – July 1, 2011	\$ -	\$ 150,356	\$ 150,356
Total realized and unrealized losses	-	(6,395)	(6,395)
Purchases		204	204
Distributions	<u>-</u>	<u>(5,877)</u>	<u>(5,877)</u>
Balance - June 30, 2012	-	138,288	138,288
Total realized and unrealized gains	-	<b>14,538</b>	<b>14,538</b>
Contributions	-	<b>71,493</b>	<b>71,493</b>
Purchases	-	<b>459</b>	<b>459</b>
Distributions	<u>-</u>	<u>(4,193)</u>	<u>(4,193)</u>
Balance - June 30, 2013	<u>\$ -</u>	<u>\$ <b>220,585</b></u>	<u>\$ <b>220,585</b></u>

The changes in unrealized gains (losses) relating to assets held as of June 30, 2013 and 2012 were \$14,538 and (\$6,073), 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).

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### NOTE C - Endowments, continued

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

#### *Interpretation of relevant law*

The Board of Directors (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, deficiencies of this nature that are reported in unrestricted net assets were \$4,285 and \$10,238 as of June 30, 2013 and 2012, respectively. These deficiencies were the result of losses in global investment markets.



# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### NOTE C - Endowments, continued

#### 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 determined by 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:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<b>June 30, 2013</b>			
Donor-restricted endowment funds	<u>\$ (4,285)</u>	<u>\$ 36,395</u>	<u>\$ 120,000</u>	<u>\$ 152,110</u>
	June 30, 2012			
Donor-restricted endowment funds	<u>\$ (10,238)</u>	<u>\$ 28,526</u>	<u>\$ 120,000</u>	<u>\$ 138,288</u>

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### NOTE C - Endowments, continued

Change in endowment net assets for the fiscal years ended June 30, 2013 and 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2011	\$ (2,111)	\$ 32,467	\$ 120,000	\$ 150,356
Investment return:				
Investment loss	(262)	(60)	-	(322)
Net depreciation (realized and unrealized)	<u>(3,976)</u>	<u>(2,097)</u>	<u>-</u>	<u>(6,073)</u>
Total investment return	(4,238)	(2,157)	-	(6,395)
Contributions	-	204	-	204
Appropriation of endowment assets for expenditure	<u>(3,889)</u>	<u>(1,988)</u>	<u>-</u>	<u>(5,877)</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	<u>\$ (4,285)</u>	<u>\$ 36,395</u>	<u>\$ 120,000</u>	<u>\$ 152,110</u>

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2013:

Receivable in less than one year	\$ 29,450
Receivable in one to five years	<u>53,400</u>
	<u>\$ 82,850</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, 2013, the loans are due in installments as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Total</u>
2014	\$ 6,459
2015	6,756
2016	5,295
2017	1,739
2018	<u>372</u>
Total	<u>\$ 20,621</u>

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### NOTE F - Net assets

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

	<u>2013</u>	<u>2012</u>
Summer internship	\$ 57,124	\$ 82,897
Community service, scholarships and cultural programming	86,017	81,142
Time restricted contributions	74,100	74,800
Support for the arts	42,448	32,580
JCLE	16,828	33,637
Israel	5,834	24,491
Social justice	18,986	28,269
General program	28,027	25,735
New building	68,475	-
Building project	-	11,099
Equipment	<u>8,465</u>	<u>-</u>
Total	<u>\$ 406,304</u>	<u>\$ 394,650</u>

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

	<u>2013</u>	<u>2012</u>
Summer internship	\$ 146,018	\$ 143,071
JCLE	39,847	22,364
General program	40,118	17,518
Israel	36,657	18,237
Administrative	12,634	12,145
Support for the arts	5,461	1,356
Social justice	12,232	2,464
Building project	<u>-</u>	<u>1,500</u>
Total released from restrictions	<u>\$ 292,967</u>	<u>\$ 218,655</u>

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 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>2013</u>	<u>2012</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.

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, 2013 and 2012, Foundation has recorded on its statement of activities and changes in net assets pension plan expense of \$23,330 and \$28,012, 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 \$30,628 in 2013 and \$24,873 in 2012.

# CLEVELAND HILLEL FOUNDATION, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE G - Pension plan, continued**

#### 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, 2013 and 2012 the Foundation's share of the Plan's unfunded liability was \$373,045 and \$504,194, respectively and is reported on the statement of financial position as an accrued pension liability. The Foundation has recorded on its statement of activities and changes in net assets decreases (increases) of \$131,149 and (\$204,379) in pension liability which represents the change in the Foundation's share of the Plan's unfunded liability for the years ended June 30, 2013 and 2012, 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 \$6,628 and \$6,635 for the years ended June 30, 2013 and 2012, respectively.

### **NOTE H - Lease commitments**

The Foundation leases office equipment, a car and an apartment under operating lease agreements. Rent expense was \$17,703 and \$5,097 in the years ended June 30, 2013 and 2012, respectively. The remaining payments required under the leases as of June 30, 2013 are \$13,600 during 2014, \$2,580 during fiscal year ending June 30, 2015.

### **NOTE I - Rental income**

The Foundation renewed its lease agreement to lease office space to the Case Western Reserve University (the University) through September 30, 2013. Annual rental income under this lease is \$44,840.