

**Jewish Community Foundation of
Greater Hartford, Inc.**

**Financial Statements - Modified Cash Basis
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2014 and 2013

Jewish Community Foundation of Greater Hartford, Inc.

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Independent Auditor's Report

To the Board of Trustees
Jewish Community Foundation of Greater Hartford, Inc.

We have audited the accompanying financial statements of Jewish Community Foundation of Greater Hartford, Inc., which comprise the statements of assets, liabilities and net assets/fund balances - modified cash basis as of June 30, 2014 and 2013, and the related statements of public support, revenues, grants and expenses and changes in net assets/fund balances - modified cash basis and cash flows - modified cash basis 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 the modified cash basis of accounting as described in Note 2; this includes determining that modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets/fund balances of Jewish Community Foundation of Greater Hartford, Inc. as of June 30, 2014 and 2013, its public support, revenues, grants and expenses and changes in net assets/fund balances and its cash flows for the years then ended, in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Non-marketable Securities

The financial statements include non-marketable securities valued at \$9,705,586 and \$7,626,426 for the years ended June 30, 2014 and 2013, respectively. The fair values have been estimated by management, based on client statements provided by individual investment managers, in the absence of readily ascertainable market values. Those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

CohnReznick LLP

Hartford, Connecticut
December 5, 2014

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Assets, Liabilities and Net Assets/Fund Balances -
Modified Cash Basis
June 30, 2014 and 2013**

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Assets:		
Cash and cash equivalents	\$ 514,700	\$ 1,305,760
Investments - marketable securities (Note 6)	94,902,020	79,334,842
Investments - non-marketable securities (Note 6)	9,705,586	7,626,426
Investments - remainder interest (Note 10)	273,666	273,666
Cash surrender value of life insurance (Note 7)	276,512	263,921
Furniture and fixtures, net of accumulated depreciation of \$52,247 and \$48,334, respectively	5,652	5,859
Other assets	8,668	9,012
	<u>8,668</u>	<u>9,012</u>
Total assets	<u>\$ 105,686,804</u>	<u>\$ 88,819,486</u>
<u>Liabilities and Net Assets/Fund Balances</u>		
Liabilities:		
Accounts payable	\$ 16,736	\$ 3,205
Grants payable	671,121	721,366
Custodial funds held for other organizations (Note 12)	15,491,640	11,672,288
Charitable remainder trusts (Note 10)	401,086	469,637
Gift annuities payable (Note 10)	-	273,563
	<u>-</u>	<u>273,563</u>
Total liabilities	<u>16,580,583</u>	<u>13,140,059</u>
Net assets/fund balances:		
Unrestricted funds	28,549,713	24,973,834
Donor advised funds	28,774,778	25,269,319
Designated funds	31,781,730	25,436,274
	<u>31,781,730</u>	<u>25,436,274</u>
Total net assets/fund balances	<u>89,106,221</u>	<u>75,679,427</u>
Total liabilities and net assets/fund balances	<u>\$ 105,686,804</u>	<u>\$ 88,819,486</u>

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Public Support, Revenues, Grants and Expenses
and Changes in Net Assets/Fund Balances -
Modified Cash Basis
Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Public support and revenues:		
Gifts and bequests	\$ 4,994,255	\$ 3,658,470
Investment income (Note 10)	1,205,502	1,348,786
Fee income	138,038	111,673
Increases in cash surrender value of life insurance	14,870	2,594
Change in value of split interest agreements (Note 10)	-	(28,959)
Realized and unrealized gains on investments (Note 6)	<u>12,068,067</u>	<u>6,594,644</u>
Total public support and revenues	<u>18,420,732</u>	<u>11,687,208</u>
Grants and expenses:		
Grants	2,791,312	2,622,966
Other distributions	334,230	41,178
Operating expenses	1,861,074	1,565,432
Depreciation	<u>7,322</u>	<u>7,018</u>
Total grants and expenses	<u>4,993,938</u>	<u>4,236,594</u>
Excess of public support and revenues over grants and expenses	13,426,794	7,450,614
Net assets/fund balances, beginning of year	<u>75,679,427</u>	<u>68,228,813</u>
Net assets/fund balances, end of year	<u>\$ 89,106,221</u>	<u>\$ 75,679,427</u>

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Cash Flows -
Modified Cash Basis
Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating activities:		
Excess of public support and revenues over grants and expenses	\$ 13,426,794	\$ 7,450,614
Adjustments to reconcile excess of public support and revenues over grants and expenses to net cash provided by operating activities:		
Depreciation expense	7,322	7,018
Realized and unrealized gains on investments	(12,068,067)	(6,594,644)
Cash surrender value of life insurance	(6,919)	3,984
Changes in operating assets and liabilities:		
Other assets	344	(800)
Accounts payable	13,531	(11,120)
Grants payable	(50,245)	(544,564)
Charitable remainder trusts	(68,551)	24,768
Gift annuities payable	<u>(273,563)</u>	<u>19,688</u>
Net cash provided by operating activities	<u>980,646</u>	<u>354,944</u>
Investing activities:		
Purchases of furniture and fixtures	(7,115)	-
Premiums paid for life insurance	(5,672)	(5,278)
Purchases of securities	(18,820,337)	(13,955,067)
Proceeds from sales of securities	<u>13,242,066</u>	<u>13,242,066</u>
Net cash used in investing activities	<u>(5,591,058)</u>	<u>(718,279)</u>
Financing activities:		
Receipt of custodial funds held for other organizations	<u>3,819,352</u>	<u>288,191</u>
Net cash provided by investing activities	<u>3,819,352</u>	<u>288,191</u>
Net decrease in cash and cash equivalents	(791,060)	(75,144)
Cash and cash equivalents, beginning of year	<u>1,305,760</u>	<u>1,380,904</u>
Cash and cash equivalents, end of year	<u>\$ 514,700</u>	<u>\$ 1,305,760</u>

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2014 and 2013

Note 1 - Description of the Foundation

Nature of services provided

The Jewish Community Foundation of Greater Hartford, Inc. (the "Foundation"), was originally established as the Endowment Foundation of the Jewish Federation of Greater Hartford, Inc. in 1972 to serve the Greater Hartford Jewish community and its agencies by responding to unforeseen community needs and emergencies, supporting special projects and new programs, and managing charitable funds for the benefit of the community. Over the years, thousands of individuals, families, businesses and foundations have contributed to the Foundation. Today, donors recognizing the importance of a strong, charitable endowment for the community continue to add to these funds with contributions and with provisions for the Foundation in their estate plans.

The Jewish Community Foundation of Greater Hartford strives to use the power of philanthropy to solve problems, strengthen community organizations, and provide permanent support for the community. The Foundation views itself as more than just a steward of the community's endowment. The Foundation seeks to identify and address the community's most pressing challenges through innovative grant making and partnership.

The Foundation's operations, including its grant making, are governed by its Board of Trustees.

Note 2 - Summary of significant accounting policies

The significant accounting policies of the Foundation are as follows:

Basis of presentation

The accompanying financial statements are presented on the modified cash basis. The modified cash basis differs from accounting principles generally accepted in the United States of America ("GAAP") because the Foundation does not recognize pledges receivable nor the present value of the charitable remainder trust assets held by outside trustees.

The Foundation's accounting system is based on a fund accounting structure by which the charitable resources held by the Foundation are classified for financial accounting and reporting purposes in accordance with any restrictions or limitations imposed by donors or in accordance with action of the Board of Trustees. The resources of the Foundation are managed as individual funds according to their nature and purpose. Each fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, a fund balance and changes in the fund balance (revenue, expense and cash transfers). Separate accounts are maintained for each fund to track any limitations and restrictions placed on their use.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2014 and 2013**

Unrestricted net assets

Donor advised and designated funds are both characterized as unrestricted net assets. They are considered net assets that are not subject to explicit donor-imposed stipulations. This is the case because in certain extraordinary circumstances, such as the loss of tax exempt status or cessation of operations of the named beneficiary organization, it is the practice of the Foundation to reserve the right to vary donor-imposed restrictions (this right being known as "variance language"). Because of this variance language, these assets are characterized as unrestricted. Custodial funds are reflected as a liability and are not included in unrestricted net assets as of June 30, 2014 and 2013. For accounting and reporting purposes, funds of similar characteristics are classified into the following categories:

Unrestricted funds

Unless specifically restricted as to the use of principal or income by the donor, any gift or bequest is designated by the Foundation's Board of Trustees as available for unrestricted use.

Donor advised funds

Funds which are (1) separately identified by reference to the contributions of a donor or donors, (2) owned by the Jewish Community Foundation and (3) with respect to which a donor (or any person appointed or designated by such donor) has, or reasonably expects to have, advisory privileges with respect to the distribution of amounts held in such fund by reason of the donor's status as a donor are recorded as donor advised funds. Upon the death of the donor and the donor's designee(s), if any, the right to advise expires and the fund becomes part of the unrestricted fund balance unless otherwise designated by the donor.

Designated funds

Designated funds are specifically restricted as to use by the donor and are classified as temporarily restricted.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2014 and 2013**

Temporarily restricted

Net assets whose use by the Foundation is subject to donor-imposed stipulations that can be fulfilled and removed by actions of the Foundation or that expire by the passage of time. To the best knowledge of management, the Foundation does not have any temporarily restricted net assets as of June 30, 2014 and 2013.

Permanently restricted

Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Foundation and stipulate the use of income and/or appreciation as either unrestricted or temporarily restricted. To the best knowledge of management (and in part because of the "variance language" noted above), the Foundation does not have any permanently restricted net assets as of June 30, 2014 and 2013.

Furniture and fixtures

The Foundation capitalizes furniture and fixtures' expenditures at cost. Depreciation is provided on the straight-line method over three to five years. Renewals and improvements, which extend the useful lives of assets, are capitalized at cost. Maintenance and repairs are included as expenses in the statements of public support, revenues, grants and expenses and changes in net assets/fund balances-modified cash basis.

The Foundation follows the policy of capitalizing property that costs more than \$2,000.

Investments

Investments in marketable equity securities and debt securities are carried at current fair values. Investments in remainder interest in real estate are valued at the fair value at the time of the donation. Fair value of investments in non-marketable securities are estimated by management, based on client statements provided by individual investment managers, in the absence of readily ascertainable fair values.

Custodial funds

The Foundation receives, manages, invests and distributes assets under agreements with certain nonprofit organizations. These assets are recorded as investment assets and liabilities of the Foundation.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2014 and 2013

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Donated services

During the years ended June 30, 2014 and 2013, many individuals volunteered their time and performed a variety of tasks that assisted the Foundation. The value of these services are not recognized in the accompanying financial statements.

Endowment campaign

The Foundation has incurred costs related to the endowment campaign. Costs incurred through June 30, 2014 and 2013 were \$674,782 and \$353,541, respectively, which have been expensed. The campaign has received pledges of approximately \$12,963,000 as of June 30, 2014 and received approximately \$4,000,000 as of June 30, 2014; contributions are recognized as received.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income tax status

The Foundation is classified by the Internal Revenue Service (the "IRS") as a tax exempt organization exempt from income taxes under Section 501(a)(1) of the Internal Revenue Code as a public charity. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Foundation files Federal and State of Connecticut income tax returns, which represent the major tax jurisdictions of the Foundation. Federal and state tax years 2011 through 2013 remain open for audit under the various statutes of limitations.

If applicable, the Foundation would recognize interest and penalties associated with tax matters as part of management and general expenses in the statements of public support, revenues, grants and expenses and changes in net assets/fund balances - modified cash basis and include accrued interest and penalties in accrued expenses in the statements of assets, liabilities and net assets/fund balances - modified cash basis. The Foundation did not recognize any interest and penalties associated with the tax matters for the years ended June 30, 2014 and 2013.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2014 and 2013**

Subsequent events

Management has reviewed subsequent events through December 5, 2014, which is the date the financial statements were approved and available for issuance.

Note 3 - Retirement plan

The Foundation offers a Section 403(b) defined contribution salary deferral plan, which covers substantially all employees. The Foundation matches a portion of the employees' contributions based upon years of service. For the years ended June 30, 2014 and 2013, the pension expense was \$19,045 and \$19,693, respectively.

Note 4 - Related party transactions

Members of the Board of Trustees of the Foundation serve in a volunteer capacity. They oversee the Foundation's development activities and make charitable contributions to the Foundation. Contributions received from or on behalf of individual trustees were approximately \$2,315,000 and \$109,000 for the years ended June 30, 2014 and 2013, respectively.

During the year, grants have been approved and disbursed to charitable organizations in which some members of the Board of Trustees may be involved through board or committee service or volunteer advisory relationships. It is the Foundation's policy to have each trustee disclose potential conflicts of interest and abstain from voting and discussion where appropriate. Community grants to those organizations, excluding the Jewish Federation of Greater Hartford ("Federation"), were approximately \$838,000 and \$432,000 for the years ended June 30, 2014 and 2013, respectively.

The Board of Trustees of the Foundation includes individuals who are required by the bylaws to be directors, community trustees, life community trustees, or members of committees or task forces of the Federation. The Foundation awarded grants to the Federation of \$998,464 and \$1,009,431 for the years ended June 30, 2014 and 2013, respectively. Outstanding grants payable to the Federation at June 30, 2014 and 2013 were \$212,856 and \$242,920, respectively.

The Foundation has entered into a lease arrangement with the Federation for the use of office space. The lease arrangement provides for a monthly payment of \$2,941 and an annual amount for common charges (\$9,076 in 2014 and \$5,755 in 2013). The lease arrangement is for a ten-year term and expires in April 2016. Future minimum lease commitments are \$35,290 for fiscal year 2016 and \$29,408 for fiscal year 2017. Rent expense for each of the years ended June 30, 2014 and 2013 was \$35,290.

Pursuant to a shared services agreement, the Foundation reimbursed the Federation at cost for specific operating expenses of \$4,942 and \$5,605 for the years ended June 30, 2014 and 2013, respectively.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 5 - Concentrations

Off-balance sheet risk

The Foundation places its temporary cash investments with high credit quality financial institutions. At times, such investments may exceed Federally insured limits.

Investments

The Foundation maintains accounts with several brokerage firms. The accounts contain cash, marketable securities, which are insured by the Securities Investor Protection Corporation ("SIPC") and non-marketable securities not insured by SIPC. The Foundation's investments include a diversified portfolio of marketable and non-marketable securities managed by professional investment advisors, designed to minimize market concentration risks.

Note 6 - Investments

The cost and fair value of marketable securities as of June 30, 2014 and 2013 are as follows:

	2014		2013	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Pooled investments:				
Long-term investments:				
U.S. treasuries and government obligations	\$ 76,407	\$ 70,329	\$ 402,598	\$ 410,767
Corporate bonds	24,695	25,226	-	-
State of Israel bonds	605,500	605,499	605,500	605,499
Managed bond funds	<u>15,039,079</u>	<u>18,068,717</u>	<u>16,946,457</u>	<u>18,695,747</u>
	15,745,681	18,769,771	17,954,555	19,712,013
Managed equity funds	<u>55,290,266</u>	<u>76,109,180</u>	<u>49,370,441</u>	<u>59,526,438</u>
Total pooled investments	71,035,947	94,878,951	67,324,996	79,238,451
Non-pooled investments:				
Managed equity funds	<u>23,069</u>	<u>23,069</u>	<u>47,915</u>	<u>96,391</u>
Total marketable securities	<u>\$71,059,016</u>	<u>\$94,902,020</u>	<u>\$67,372,911</u>	<u>\$ 79,334,842</u>

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2014 and 2013**

The cost and fair value of alternative investments as of June 30, 2014 and 2013 are as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Pooled investments:				
Private equity	\$ 1,531,561	\$ 2,053,584	\$ 1,621,903	\$ 1,891,793
Venture capital	1,328,618	1,995,254	1,280,721	1,741,890
Absolute return strategy	4,750,000	5,126,284	3,500,000	3,563,737
Private International equity	375,497	530,464	341,254	429,006
Total non-marketable securities	\$ 7,985,676	\$ 9,705,586	\$ 6,743,878	\$ 7,626,426

Investment return is summarized as follows:

	2014	2013
Interest and dividend income	\$ 1,686,254	\$ 1,792,009
Less investment management fees paid	(273,003)	(231,414)
Less investment returns applicable to custodial funds	(207,749)	(211,809)
Net investment income	1,205,502	1,348,786
Realized gains	3,470,490	3,686,523
Unrealized gains	10,630,454	3,959,990
Less gains applicable to custodial funds	(2,032,877)	(1,051,869)
Net realized and unrealized gains	12,068,067	6,594,644
Total investment return	\$ 13,273,569	\$ 7,943,430

Note 7 - Cash surrender value of life insurance

The cash surrender value of life insurance represents the amount the Jewish Community Foundation would receive from the life insurance policies it owns in the event the coverage is cancelled and the policy is surrendered to the issuing insurance company prior to the death of the insured. Cash surrender value of life insurance was \$276,512 and \$263,921 as of June 30, 2014 and 2013, respectively.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 8 - Fair value of financial instruments

The Foundation values its financial assets based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. The fair value hierarchy does not attempt to measure the quality of the investments. Level 1 investments are valued based upon quoted market prices from real-time quotes in active exchange markets involving identical assets held by the Foundation at year end. Level 2 investments are valued at fair value, which is determined by the unit value reported at year end. These units consist of investments valued based on observable inputs. Certain Level 3 investments have been valued at the net asset value ("NAV") of the various funds. The NAV is based on the fair value of the underlying investments of the funds and is used as a practical expedient to estimate fair value. The remaining Level 3 fair values have been estimated by management, based on client statements provided by individual investment managers without adjustments, in the absence of readily ascertainable market values. As such, the Foundation is not required to provide certain quantitative disclosures regarding the valuation methods used because they were unobtainable. Those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2014 and 2013**

Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, 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.

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows for the Foundation:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Marketable securities				
Pooled investments:				
Long-term investments:				
U.S. treasuries and				
government obligation	\$ 70,329	\$ 70,329	\$ -	\$ -
Corporate bonds	25,226	-	25,226	-
State of Israel bonds	605,499	605,499	-	-
Managed bond funds	18,068,717	10,812,757	7,255,960	-
Managed equity funds	<u>76,109,180</u>	<u>69,309,103</u>	<u>6,800,077</u>	<u>-</u>
Total marketable securities	<u>94,878,951</u>	<u>80,797,688</u>	<u>14,081,263</u>	<u>-</u>
Non-pooled investments:				
Managed equity funds	<u>23,069</u>	<u>23,069</u>	<u>-</u>	<u>-</u>
Total non-pooled investments	<u>23,069</u>	<u>23,069</u>	<u>-</u>	<u>-</u>
Total marketable securities	<u>\$ 94,902,020</u>	<u>\$ 80,820,757</u>	<u>\$ 14,081,263</u>	<u>\$ -</u>
Non-marketable securities:				
Private equity	\$ 2,053,584	\$ -	\$ -	\$ 2,053,584
Venture capital	1,995,254	-	-	1,995,254
Absolute return strategy	5,126,284	-	-	5,126,284
Private international equity	<u>530,464</u>	<u>-</u>	<u>-</u>	<u>530,464</u>
Total non-marketable securities	<u>\$ 9,705,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,705,586</u>

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows for the Foundation:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Marketable securities				
Pooled investments:				
Long-term investments:				
U.S. treasuries and				
government obligation	\$ 410,767	\$ 410,767	\$ -	\$ -
State of Israel bonds	605,499	605,499	-	-
Managed bond funds	18,695,747	12,759,394	5,936,353	-
Managed equity funds	<u>59,526,437</u>	<u>54,118,699</u>	<u>5,407,738</u>	<u>-</u>
Total pooled investments	<u>79,238,450</u>	<u>67,894,359</u>	<u>11,344,091</u>	<u>-</u>

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2014 and 2013**

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Non-pooled investments:				
Managed equity funds	\$ 96,392	\$ 96,392	\$ -	\$ -
Total non-pooled investments	<u>96,392</u>	<u>96,392</u>	<u>-</u>	<u>-</u>
Total marketable securities	<u>\$ 79,334,842</u>	<u>\$ 67,990,751</u>	<u>\$ 11,344,091</u>	<u>\$ -</u>
Non-marketable securities:				
Private equity	\$ 1,891,793	\$ -	\$ -	\$ 1,891,793
Venture capital	1,741,890	-	-	1,741,890
Absolute return strategy	3,563,737	-	-	3,563,737
Private international equity	<u>429,006</u>	<u>-</u>	<u>-</u>	<u>429,006</u>
Total non-marketable securities	<u>\$ 7,626,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,626,426</u>

A financial asset or liability's classification within the above hierarchy is determined based on the lowest level input (as defined above) that is significant to the fair value measurement. There have been no changes in the methodologies used at June 30, 2014 and 2013.

A reconciliation for assets using significant unobservable inputs for the year ended June 30, 2014 is as follows for the Foundation:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	<u>Private Equity</u>	<u>Venture Capital</u>	<u>Absolute Return Strategy</u>	<u>Private International Equity</u>
Balance, beginning of year	\$ 1,891,793	\$ 1,741,890	\$ 3,563,737	\$ 429,006
Realized gains included in revenues	193,043	374,240	-	61,167
Unrealized gains included in revenues	250,415	349,351	349,802	112,379
Contributions	156,331	52,252	1,250,000	15,000
Distributions	(417,565)	(474,956)	-	(83,348)
Net income/(expense)	<u>(20,433)</u>	<u>(47,523)</u>	<u>(37,255)</u>	<u>(3,740)</u>
Balance, end of year	<u>\$ 2,053,584</u>	<u>\$ 1,995,254</u>	<u>\$ 5,126,284</u>	<u>\$ 530,464</u>

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2014 and 2013**

A reconciliation for assets using significant unobservable inputs for the year ended June 30, 2013 is as follows for the Foundation:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	<u>Private Equity</u>	<u>Venture Capital</u>	<u>Absolute Return Strategy</u>	<u>Private International Equity</u>
Balance, beginning of year	\$ 2,111,965	\$ 2,018,485	\$ 3,632,268	\$ 408,862
Realized gains (losses) included in revenues	266,592	283,285	-	53,622
Unrealized gains (losses) included in revenues	(144,316)	(201,093)	63,737	17,921
Contributions	168,750	86,126	3,500,000	32,500
Distributions	(513,152)	(399,427)	(3,632,268)	(75,536)
Net income/(expense)	<u>1,954</u>	<u>(45,486)</u>	<u>-</u>	<u>(8,363)</u>
Balance, end of year	<u>\$ 1,891,793</u>	<u>\$ 1,741,890</u>	<u>\$ 3,563,737</u>	<u>\$ 429,006</u>

Level 3 investments valued using NAV at June 30, 2014, are as follows:

		<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Private equity	(a)	\$ 1,072,959	\$ 622,500	Not Eligible	N/A
Venture capital	(b)	1,224,248	85,000	Not Eligible	N/A
Absolute return	(c)	5,126,284	-	Annual at Calendar Year End	75 Days Notice
Private international equity	(d)	<u>530,464</u>	<u>30,000</u>	Not Eligible	N/A
		<u>\$ 7,953,955</u>	<u>\$ 737,500</u>		

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2014 and 2013**

Level 3 investments valued using NAV at June 30, 2013, are as follows:

		<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Private equity	(a)	\$ 882,629	\$ 775,000	Not Eligible	N/A
Venture capital	(b)	942,485	125,000	Not Eligible	N/A
Absolute return	(c)	3,563,737	-	3 Years Lock up	75 Days Notice
Private international equity	(d)	<u>429,006</u>	<u>45,000</u>	Not Eligible	N/A
		<u>\$ 5,817,857</u>	<u>\$ 945,000</u>		

Additionally, Level 3 investments include assets not reported using net asset values. These investments do include unfunded commitments of \$144,754 and \$157,006 at June 30, 2014 and 2013, respectively.

Following is a description of the Level 3 assets measured at fair value.

- (a) This category primarily includes investments in private limited partnerships, which make private equity investments with the objective of obtaining long-term capital growth. Distributions from each partnership will be received as the underlying investments are liquidated. It is estimated that the underlying assets will be liquidated and the partnerships will be terminated ten to fifteen years after inception of the fund.
- (b) This category primarily includes investments in private limited partnerships, which make venture capital investments in emerging growth companies with the objective of obtaining long-term capital growth. Distributions from each partnership will be received as the underlying investments are liquidated. It is estimated that the underlying assets will be liquidated and the partnerships will be terminated ten to fifteen years after inception of the fund.
- (c) This category primarily includes investment in multi-strategy hedge funds that seek to generate positive returns over multi-year periods by pursuing flexible investment strategies that utilize publicly traded equity and debt instruments. These strategies may utilize modest amounts of leverage and can short sell securities in order to hedge market risk. Annual redemptions may be permitted once the initial 1-year lock up expires.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2014 and 2013

- (d) This category primarily includes investments in private international limited partnerships, which make private international equity investments with the objective of obtaining long-term capital growth. Distributions from each partnership will be received as the underlying investments are liquidated. It is estimated that the underlying assets will be terminated ten to fifteen years after inception of the fund.

Note 9 - Charitable funds management

The Foundation administers more than 1,000 individual funds established for a variety of charitable purposes. It fulfills its stewardship responsibility for the charitable funds it manages by accounting for, reporting and making distributions from each fund in accordance with the donor's original intent as specified in the gift instrument that established the fund. In certain extraordinary circumstances, such as the loss of tax exempt status or cessation of operations of the named beneficiary organization, it is the practice of the Foundation to reserve the right to vary donor imposed restrictions, accordingly, the Foundation's governing instruments include a variance power. Individual gift instruments may allow for the invasion of corpus unless expressly prohibited by their terms.

The Connecticut Uniform Prudent Management of Institutional Funds Act ("CT UPMIFA"), enacted October 1, 2007, provides guidelines for managing and investing charitable funds, as well as for spending from endowment funds.

The Foundation, upon management and governance review of gift instruments creating charitable funds at the Foundation, identified no funds that meet the definition of endowment under CT UPMIFA. Although the charitable assets entrusted to the Foundation do not meet this definition, and therefore its spending is not limited by the provisions of CT UPMIFA, the Foundation looks to the following factors described in CT UPMIFA as a guide for prudent stewardship of the charitable assets it manages: (1) the duration and preservation of a fund; (2) the charitable purposes of the Foundation and the charitable funds it manages; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation (depreciation) of investments; (6) other resources of the Foundation; and (7) the investment policies of the Foundation.

Investment strategy

The Foundation follows a total return approach to investing. This investment approach strives to balance income and potential for capital appreciation so that both components can contribute to the long-term total return of the Foundation's pooled investment portfolio.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2014 and 2013

The Foundation's investment policy and guidelines and spending guidelines are designed to operate in concert in order to provide a significant and stable flow of funds over the short-term to provide resources to meet current community needs and, at the same time, maintain the purchasing power of the funds over the long-term, so that the Foundation will be able to provide adequate resources to future generations to meet new and emerging needs.

Spending policy

The Foundation's spending policy determines the amount that will be available each year for grant making and for the support of the Foundation's operating budget. Annual spending at the Foundation is based on a percentage of the average value of funds over the previous sixteen quarters, subject to a ceiling and a floor. The spending formula is designed to smoothen the impact of market fluctuations and provide for adjustments to spending in good and bad markets. It applies to all funds at the Foundation, with the exception of portions of funds that represent non-liquid assets, funds that hold income generating investments and where gift instruments specifically provide for distributions of other amounts.

Current spending (for grant making and operating support) for fiscal years 2014 and 2013 has been set at 5% of the previous 16 quarters' average market values of fund balance, subject to a floor of 4% and a ceiling of 5.5% of the fund balance determined as of June 30, 2014 and 2013.

Note 10 - Split-interest agreements

At June 30, 2014, the Foundation's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts for which the Foundation serves as trustee, previously charitable gift annuities were also held by the Foundation. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. During 2014, the Foundation entered into a reinsurance transaction to mitigate risk associated with the gift annuities program. The reinsurance costs of \$370,582 were paid from the related asset, resulting in the transfer of the future obligations under the charitable gift annuities to the insurer and \$46,159 was distributed to the Foundation. The gift annuities payable related to the split-interest agreements at June 30, 2013 was \$273,563.

Contribution revenue for charitable gift annuities and charitable remainder trusts is recognized at the date the agreement is established equal to the fair value of the gift, net of the liability recorded for the present value of the estimated future payments to be made to the respective donors and/or other income beneficiaries based on the IRS discount rates and actuarial tables.

Assets held relating to the split-interest agreements for 2014 and 2013 were \$401,086 and \$857,099, respectively, and are included in investments - marketable securities in the statements of assets, liabilities and net assets/fund balances - modified cash basis. The charitable remainder trust liabilities related to the split-interest agreements for 2014 and 2013 were \$401,086 and \$743,200, respectively.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2014 and 2013**

The Foundation has a remainder interest in property valued at \$273,666 as of June 30, 2014 and 2013.

Note 11 - Life insurance premiums

Included in other distributions are life insurance premiums paid on life insurance policies for certain policies that the Foundation owns and is named beneficiary. Life insurance premiums were \$5,672 and \$5,278 for the years ended June 30, 2014 and 2013, respectively.

Note 12 - Custodial funds managed for other charitable organizations

The Foundation holds, administers, and manages certain charitable funds established and owned by various agencies and local synagogues as part of its commingled investment pool. These funds receive additions and make distributions for the sole purpose of supporting the operations of the agencies and synagogues that established them.

Activity in the custodial funds was as follows:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 11,672,288	\$ 11,384,097
Contributions	3,318,677	273,049
Investment return	2,240,615	1,263,672
Distributions	(1,601,902)	(1,136,855)
Administrative expenses	<u>(138,038)</u>	<u>(111,675)</u>
Ending balance	<u>\$ 15,491,640</u>	<u>\$ 11,672,288</u>

At June 30, 2014 and 2013, the Foundation held assets as custodian for the following:

	<u>2014</u>	<u>2013</u>
The Endowment Fund of Beth El Temple of West Hartford	\$ 3,963,278	\$ 3,452,207
Beth Alom Cemetery Association Trust Fund	1,061,510	-
Temple Beth El of Stamford Endowment Fund	346,061	215,082
Beth Hillel Synagogue of Bloomfield	763,632	744,906
Congregation Beth Israel	1,067,671	607,964
Hebrew Health Care Auxiliary	43,489	38,805
Hebrew Health Care Foundation	3,649,363	3,555,829
Joyce D. and Andrew Mandell Jewish Community Center	1,334,234	1,168,393
Jewish Community Living Auxiliary Fund	44,064	39,373
Jewish Family Service of Greater Hartford	491,441	437,885
Jewish Historical Society of Greater Hartford	94,363	81,352
Bess and Paul Sigel Hebrew Academy	330,380	294,921
University of Connecticut Hillel	250,658	216,089
Solomon Schechter Day School	645,416	819,482
Congregation Tephareth Israel	1,356,441	-
Unallocated Alternative Investment Income	<u>49,639</u>	<u>-</u>
	<u>\$ 15,491,640</u>	<u>\$ 11,672,288</u>