

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

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2015 and 2014

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. (the "Foundation"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 financial position of Jewish Community Foundation of Greater Hartford, Inc. as of June 30, 2015 and 2014 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.

Updated Opinion on Prior Year Financial Statements

In our report dated December 5, 2014, we expressed an opinion that the 2014 financial statements present fairly, in all material respects, the assets, liabilities and net assets/fund balances of Jewish Community Foundation of Greater Hartford, Inc. and its activities and changes in net assets by fund and its cash flows for the years then ended, in accordance with 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. As described in Note 17 to the financial statements, the Foundation has restated its 2014 financial statements to conform with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the 2014 financial statements, as presented herein, is different from that expressed in our previous report.

CohnReznick LLP

Hartford, Connecticut
January 12, 2016

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Financial Position
June 30, 2015 and 2014**

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents	\$ 1,618,397	\$ 514,700
Pledges receivable, net of discount (Note 4)	4,026,681	3,438,029
Investments - marketable securities (Note 5)	92,171,662	94,902,020
Investments - non-marketable securities (Note 5)	9,948,535	9,705,586
Investments - remainder interest (Note 9)	273,666	273,666
Charitable remainder trusts held by others (Note 9)	614,710	649,859
Cash surrender value of life insurance (Note 6)	276,450	276,512
Furniture and fixtures, net of accumulated depreciation of \$47,590 and \$52,247, respectively	1,632	5,652
Other assets	8,168	8,668
	<u>8,168</u>	<u>8,668</u>
Total assets	<u>\$ 108,939,901</u>	<u>\$ 109,774,692</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 1,899	\$ 16,736
Grants payable	753,396	671,121
Custodial funds held for other organizations (Note 11)	14,771,327	15,499,140
Charitable remainder trusts (Note 9)	228,922	238,956
	<u>228,922</u>	<u>238,956</u>
Total liabilities	<u>15,755,544</u>	<u>16,425,953</u>
Net assets:		
Unrestricted net assets:		
Unrestricted funds	27,938,581	28,567,606
Donor advised funds	29,850,793	30,216,120
Designated funds	34,640,668	33,753,024
	<u>34,640,668</u>	<u>33,753,024</u>
Total unrestricted net assets	<u>92,430,042</u>	<u>92,536,750</u>
Temporarily restricted net assets	<u>754,315</u>	<u>811,989</u>
Total net assets	<u>93,184,357</u>	<u>93,348,739</u>
Total liabilities and net assets	<u>\$ 108,939,901</u>	<u>\$ 109,774,692</u>

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Statement of Activities and Changes in Net Assets
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Change in unrestricted net assets:		
Public support and revenues:		
Gifts and bequests	\$ 4,799,348	\$ 9,066,885
Investment income (Note 5)	896,859	1,205,502
Fee income	152,188	138,038
(Decrease) increase in cash surrender value of life insurance	(8,985)	14,870
Realized and unrealized (losses) gains on investments (Note 5)	<u>(672,599)</u>	<u>12,068,067</u>
Total public support and revenues	<u>5,166,811</u>	<u>22,493,362</u>
Grants and expenses:		
Grants	3,568,666	2,791,312
Other distributions	175,600	334,230
Operating expenses	1,521,548	1,861,074
Depreciation	<u>7,705</u>	<u>7,322</u>
Total grants and expenses	<u>5,273,519</u>	<u>4,993,938</u>
(Decrease) increase in unrestricted net assets	<u>(106,708)</u>	<u>17,499,424</u>
Change in temporarily restricted net assets:		
Decrease in value of split-interest agreements (Note 9)	<u>(57,674)</u>	<u>(32,063)</u>
Decrease in temporarily restricted net assets	<u>(57,674)</u>	<u>(32,063)</u>
(Deficiency) excess of public support and revenues over grants and expenses	<u>(164,382)</u>	<u>17,467,361</u>
Net assets, beginning of year, as previously reported	93,348,739	75,679,427
Prior period adjustment	<u>-</u>	<u>201,951</u>
Net assets, beginning of year, as restated	<u>93,348,739</u>	<u>75,881,378</u>
Net assets, end of year	<u>\$ 93,184,357</u>	<u>\$ 93,348,739</u>

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Cash Flows
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating activities:		
Change in net assets	\$ (164,382)	\$ 17,467,361
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	7,705	7,322
Realized and unrealized losses (gains) on investments	672,599	(12,068,067)
Cash surrender value of life insurance	5,340	(6,919)
Change in value of split-interest agreements	35,149	32,063
Change in pledge discount	93,010	(227,315)
Gifts restricted for long-term purposes	-	(645,341)
Changes in operating assets and liabilities:		
Pledges receivable	(681,662)	(3,207,474)
Other assets	500	344
Accounts payable	(14,837)	13,531
Grants payable	82,275	(50,245)
Charitable remainder trusts	(10,034)	(68,551)
Gift annuities payable	-	(273,563)
	25,663	973,146
Investing activities:		
Purchases of furniture and fixtures	(3,685)	(7,115)
Premiums paid for life insurance	(5,278)	(5,672)
Purchases of securities	(19,245,798)	(18,820,337)
Proceeds from sales of securities	21,060,608	13,242,066
	1,805,847	(5,591,058)
Financing activities:		
Receipt of custodial funds held for other organizations	395,598	5,566,792
Distribution of custodial funds held for other organizations	(1,123,411)	(1,739,940)
	(727,813)	3,826,852
Net increase (decrease) in cash and cash equivalents	1,103,697	(791,060)
Cash and cash equivalents, beginning of year	514,700	1,305,760
Cash and cash equivalents, end of year	\$ 1,618,397	\$ 514,700

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Description of the Foundation

Nature of services provided

The Jewish Community Foundation of Greater Hartford, Inc. (the "Foundation") serves the Greater Hartford Jewish community, its donors, agencies and synagogues by responding to 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 recognize the importance of a charitable endowment for the community and continue to start and/or add to funds with both current contributions and with provisions for the Foundation in their estate plans.

The Foundation strives to use the power of philanthropy to solve community challenges, strengthen nonprofit organizations, and provide ongoing financial support, education and technical assistance to the community. The Foundation views itself as more than just a steward of community endowment. The Foundation actively seeks to identify and address the community's most pressing challenges through innovative grant making and collaborative partnerships.

The Foundation's operations 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 of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). As described in Note 17 to the financial statements, the Foundation has restated its 2014 financial statements to conform with GAAP.

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.

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-

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
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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, 2015 and 2014. 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. Because of the variance language, these assets are characterized as unrestricted.

Temporarily restricted

Net assets whose use by the Foundation is subject to explicit donor-imposed stipulations that can be fulfilled and removed by actions of the Foundation or that expire by the passage of time.

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, 2015 and 2014.

Revenue recognition

Unconditional promises to give are recorded as pledges receivable when the promise is received. Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
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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 activities and changes in net assets.

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.

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, 2015 and 2014, many individuals volunteered their time and performed a variety of tasks that assisted the Foundation. The values of these services are not recognized in the accompanying financial statements.

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.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
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The Foundation files Federal and State of Connecticut income tax returns for unrelated business income, which represent the major tax jurisdictions of the Foundation. Federal and state tax years 2012 through 2014 remain open for audit under the various statutes of limitations.

Subsequent events

Management has reviewed subsequent events through January 12, 2016, which is the date the financial statements were approved and available for issuance.

Note 3 - Endowment campaign

The Foundation is engaged in a fundraising campaign (the Aim Chai Endowment Campaign) to increase the size of the community's endowment. As of June 30, 2015, the campaign has received contributions, pledges or gift intentions of approximately \$33 million towards the campaign goal. The difference between this number and what is reflected in the Foundation's financial statements is cash already received prior to June 30, 2015, legacy/bequest intentions, and other pledges and donor intentions that do not meet the standard for GAAP recognition or which are being contributed directly to partner institutions as part of the general community campaign.

Subsequent to the close of the fiscal year, the Foundation received an additional \$.6 million in total gifts, pledges or gift intentions.

Note 4 - Pledges receivable, net of discount

Unconditional promises to give are recorded as receivables and revenue when the promise is received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2015 and 2014. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. The discount rate applied was approximately 2% and 2.5% at June 30, 2015 and 2014, respectively.

Pledges receivable are expected to be realized in the following periods:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 1,240,860	\$ 384,403
One to five years	2,916,195	3,030,220
Over five years	<u>3,931</u>	<u>250,720</u>
	4,160,986	3,665,343
Less unamortized discount	<u>134,305</u>	<u>227,314</u>
Total	<u>\$ 4,026,681</u>	<u>\$ 3,438,029</u>

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2015 and 2014**

Note 5 - Investments

The cost and fair value of marketable securities as of June 30, 2015 and 2014 are as follows:

	2015		2014	
	<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	\$ 19,698	\$ 11,933	\$ 76,407	\$ 70,329
Corporate bonds	49,305	50,071	24,695	25,226
State of Israel bonds	605,500	605,499	605,500	605,499
Managed bond funds	<u>17,655,093</u>	<u>17,960,460</u>	<u>15,039,079</u>	<u>18,068,717</u>
	18,329,596	18,627,963	15,745,681	18,769,771
Managed equity funds	<u>60,519,006</u>	<u>73,526,285</u>	<u>55,290,266</u>	<u>76,109,180</u>
Total pooled investments	78,848,602	92,154,248	71,035,947	94,878,951
Non-pooled investments:				
Managed equity funds	<u>17,414</u>	<u>17,414</u>	<u>23,069</u>	<u>23,069</u>
Total marketable securities	<u>\$ 78,866,016</u>	<u>\$ 92,171,662</u>	<u>\$ 71,059,016</u>	<u>\$ 94,902,020</u>

The cost and fair value of alternative investments as of June 30, 2015 and 2014 are as follows:

	2015		2014	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Pooled investments:				
Non-marketable securities:				
Private equity	\$ 1,389,779	\$ 1,811,876	\$ 1,531,561	\$ 2,053,584
Venture capital	1,626,790	2,183,166	1,328,618	1,995,254
Absolute return strategy	4,750,000	5,489,612	4,750,000	5,126,284
Private International equity	<u>349,176</u>	<u>463,881</u>	<u>375,497</u>	<u>530,464</u>
Total non-marketable securities	<u>\$ 8,115,745</u>	<u>\$ 9,948,535</u>	<u>\$ 7,985,676</u>	<u>\$ 9,705,586</u>

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2015 and 2014**

Investment return is summarized as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 1,282,765	\$ 1,686,254
Less investment management fees paid	(235,935)	(273,003)
Less investment returns applicable to custodial funds	<u>(149,971)</u>	<u>(207,749)</u>
Net investment income	<u>896,859</u>	<u>1,205,502</u>
Realized gains	6,175,794	3,470,490
Unrealized (losses) gains	(6,971,330)	10,630,454
Less gain (loss) applicable to custodial funds	<u>122,937</u>	<u>(2,032,877)</u>
Net realized and unrealized (losses) gains	<u>(672,599)</u>	<u>12,068,067</u>
Total investment return	<u>\$ 224,260</u>	<u>\$ 13,273,569</u>

Note 6 - 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 \$276,450 and \$276,512 as of June 30, 2015 and 2014, respectively.

Note 7 - 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.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
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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.

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, 2015 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 obligations	\$ 11,933	\$ 11,933	\$ -	\$ -
Corporate bonds	50,071	-	50,071	-
State of Israel bonds	605,499	605,499	-	-
Managed bond funds	17,960,460	8,964,365	8,996,095	-
Managed equity funds	<u>73,526,285</u>	<u>69,609,663</u>	<u>3,916,622</u>	<u>-</u>
Total marketable securities	<u>92,154,248</u>	<u>79,191,460</u>	<u>12,962,788</u>	<u>-</u>
Non-pooled investments:				
Managed equity funds	<u>17,414</u>	<u>17,414</u>	<u>-</u>	<u>-</u>
Total non-pooled investments	<u>17,414</u>	<u>17,414</u>	<u>-</u>	<u>-</u>
Total marketable securities	<u>\$ 92,171,662</u>	<u>\$ 79,208,874</u>	<u>\$ 12,962,788</u>	<u>\$ -</u>

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
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Non-marketable securities:				
Private equity	\$ 1,811,876	\$ -	\$ -	\$ 1,811,876
Venture capital	2,183,166	-	-	2,183,166
Absolute return strategy	5,489,612	-	-	5,489,612
Private international equity	<u>463,881</u>	<u>-</u>	<u>-</u>	<u>463,881</u>
Total non-marketable securities	<u>\$ 9,948,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,948,535</u>
Charitable remainder trusts held by others				
	<u>\$ 614,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 614,710</u>

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 obligations	\$ 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 pooled investments	<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>
Charitable remainder trusts held by others				
	<u>\$ 649,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 649,859</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, 2015 and 2014.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
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A reconciliation for assets using significant unobservable inputs for the year ended June 30, 2015 is as follows for the Foundation:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Charitable Remainder Trusts Held by Others	Private Equity	Venture Capital	Absolute Return Strategy	Private International Equity
Balance, beginning of year	\$ 649,859	\$ 2,053,584	\$ 1,995,254	\$ 5,126,284	\$ 530,464
Realized gains included in revenues	-	283,002	305,759	-	69,888
Unrealized gains (losses) includes in revenues	-	(46,967)	(81,067)	371,343	(35,080)
Contributions	-	162,499	428,063	-	10,000
Distributions	-	(623,165)	(448,480)	-	(103,148)
Net income/(expense)	-	(17,077)	(16,363)	(8,015)	(8,243)
Change in value of split interest agreements	(35,149)	-	-	-	-
Balance, end of year	<u>\$ 614,710</u>	<u>\$ 1,811,876</u>	<u>\$ 2,183,166</u>	<u>\$ 5,489,612</u>	<u>\$ 463,881</u>

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)

	Charitable Remainder Trusts Held by Others	Private Equity	Venture Capital	Absolute Return Strategy	Private International Equity
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	645,341	156,331	52,252	1,250,000	15,000
Distributions	-	(417,565)	(474,956)	-	(83,348)
Net income/(expense)	-	(20,433)	(47,523)	(37,255)	(3,740)
Change in value of split interest agreements	4,518	-	-	-	-
Balance, end of year	<u>\$ 649,859</u>	<u>\$ 2,053,584</u>	<u>\$ 1,995,254</u>	<u>\$ 5,126,284</u>	<u>\$ 530,464</u>

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Level 3 investments valued using NAV at June 30, 2015, 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)	\$ 1,103,866	\$ 460,001	Not Eligible	N/A
Venture capital	(b)	1,537,347	1,160,000	Not Eligible	N/A
Absolute return	(c)	5,489,612	-	Annual at Calendar Year End	75 Days Notice
Private international equity	(d)	463,881	20,000	Not Eligible	N/A
		<u>\$ 8,594,706</u>	<u>\$ 1,640,001</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)	530,464	30,000	Not Eligible	N/A
		<u>\$ 7,953,955</u>	<u>\$ 737,500</u>		

Additionally, Level 3 investments with a fair value of \$1,353,829 and \$1,751,631 at June 30, 2015 and 2014, respectively, include assets not reported using net asset values. These investments do include unfunded commitments of \$141,691 and \$144,754 at June 30, 2015 and 2014, respectively.

Following is a description of the Level 3 investments measured at net asset 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.

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- (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.
- (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 8 - Charitable funds management

The Foundation administers more than 1,000 individual funds established for a variety of charitable purposes. It fulfills its 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, the Foundation reserves the right to vary donor imposed restrictions. 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.

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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.

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 2015 and 2014 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, 2015 and 2014.

Note 9 - Split-interest agreements

The Foundation's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts for which the Foundation serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

Assets held relating to the split-interest agreements for 2015 and 2014 were \$368,527 and \$401,086, respectively, and are included in investments - marketable securities in the statements of financial position. The charitable remainder trust liabilities related to the split-interest agreements for 2015 and 2014 were \$228,922 and \$238,956, respectively.

During 2014, the Foundation received a gift through a charitable remainder trust, in which the Foundation does not have custody of the trust assets or have responsibility for their management. This trust is managed by an unaffiliated third party as the trustee and fiscal agent. The gift was reported as a charitable remainder trust held by others in the accompanying statements of financial position and had an asset value of \$614,710 and \$649,859 at June 30, 2015 and 2014, respectively.

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During 2014, the Foundation entered into a reinsurance transaction to mitigate risk associated with the charitable 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.

Contribution revenue for 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 using a discount rate of 5% and actuarial tables. The change in the value of the split interest agreements was \$(57,674) and \$(32,063) for years ended June 30, 2015 and 2014, respectively.

The Foundation has a remainder interest in property valued at \$273,666 as of June 30, 2015 and 2014. During fiscal year 2016, the property's deed was quitclaimed to the Foundation and the Foundation sold the property for \$380,000.

Note 10 - 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 \$5,278 and \$5,672 for the years ended June 30, 2015 and 2014, respectively.

Note 11 - 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>2015</u>	<u>2014</u>
Beginning balance	\$ 15,499,140	\$ 11,672,288
Contributions	368,569	3,326,177
Investment return	27,029	2,240,615
Distributions	(971,223)	(1,601,902)
Administrative expenses	<u>(152,188)</u>	<u>(138,038)</u>
Ending balance	<u>\$ 14,771,327</u>	<u>\$ 15,499,140</u>

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At June 30, 2015 and 2014, the Foundation held assets as custodian for the following:

	<u>2015</u>	<u>2014</u>
The Endowment Fund of Beth El Temple of West Hartford	\$ 3,969,303	\$ 3,970,778
Beth Alom Cemetery Association Trust Fund	1,039,926	1,061,510
Temple Beth El of Stamford Endowment Fund	401,435	346,061
Beth Hillel Synagogue of Bloomfield	740,674	763,632
Congregation Beth Israel	1,016,859	1,067,671
Hebrew Health Care Auxiliary	41,861	43,489
Hebrew Health Care Foundation	3,094,229	3,649,363
Joyce D. and Andrew Mandell Jewish Community Center	1,284,735	1,334,234
Jewish Community Living Auxiliary Fund	42,403	44,064
Jewish Family Service of Greater Hartford	472,095	491,441
Jewish Historical Society of Greater Hartford	93,945	94,363
Bess and Paul Sigel Hebrew Academy	317,457	330,380
University of Connecticut Hillel	236,853	250,658
Solomon Schechter Day School	636,428	645,416
Congregation T ephereth Israel	1,350,501	1,356,441
Young Israel of West Hartford	32,623	-
Unallocated Alternative Investment Income	-	49,639
	<u>\$ 14,771,327</u>	<u>\$ 15,499,140</u>

Note 12 - Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2015 and 2014 are \$754,315 and \$811,989, respectively. The net assets are restricted based on the passage of time and consist of the change in value of charitable remainder trusts.

Note 13 - 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 \$763,000 and \$2,315,000 for the years ended June 30, 2015 and 2014, 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 \$975,000 and \$838,000 for the years ended June 30, 2015 and 2014, respectively.

The Jewish Community Foundation was established as the Endowment Foundation of the Jewish Federation of Greater Hartford, Inc. in 1972. In 1993, the Foundation became an independent nonprofit entity with a separate and distinct Board of Trustees. The bylaws of

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the Foundation continue to require that a percentage of the Board members of the Foundation 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 \$886,034 and \$998,464 for the years ended June 30, 2015 and 2014, respectively. Outstanding grants payable to the Federation at June 30, 2015 and 2014 were \$179,624 and \$212,856, 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 (\$15,545 in 2015 and \$9,076 in 2014). The lease arrangement is for a ten-year term and expires in April 2016. Future minimum lease commitments are \$29,408 for fiscal year 2016. Rent expense for each of the years ended June 30, 2015 and 2014 was \$35,290.

Pursuant to a shared services agreement, the Foundation reimbursed the Federation at cost for specific operating expenses of \$3,717 and \$4,942 for the years ended June 30, 2015 and 2014, respectively.

Note 14 - Functional expenses

Expenses by functional classification are as follows:

	<u>2015</u>	<u>2014</u>
Program expenses	\$ 4,290,942	\$ 3,519,054
General and administrative	350,833	356,731
Fundraisings expenses	<u>631,744</u>	<u>1,118,153</u>
	<u>\$ 5,273,519</u>	<u>\$ 4,993,938</u>

Note 15 - 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, 2015 and 2014, the pension expense was \$25,311 and \$19,045, respectively.

Note 16 - 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.

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Note 17 - Prior period adjustment

During fiscal 2015, the Foundation adopted a policy of preparing its financial statements on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements have been retrospectively adjusted to reflect the accrual basis of accounting adopted.

The net assets of the Foundation in the accompanying statements of activities and change in net assets as of July 1, 2014 have been restated in the amount of \$201,951 for adoption of the accrual basis of accounting. The effect of this prior period adjustment on the accompanying statements of financial position and statements of activities and changes in net assets as of June 30, 2014 was as follows:

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	As Previously Reported	Adjustments	As Restated
Assets:			
Pledges receivable, net of discount	\$ -	\$ 3,438,029	\$ 3,438,029
Charitable remainder trusts held by others	-	649,859	649,859
		\$ 4,087,888	
Liabilities:			
Custodial funds	\$ (15,491,640)	\$ (7,500)	\$ (15,499,140)
Charitable remainder trusts	(401,086)	162,130	(238,956)
		\$ 154,630	
Total Assets/ Liabilities adjustments:		\$ 4,242,518	
Net assets as of 6/30/2014:			
Unrestricted net assets:			
Unrestricted funds, end of year	\$ 28,549,713	\$ 17,893	\$ 28,567,606
Donor advised funds, end of year	28,774,778	1,441,342	30,216,120
Designated funds, end of year	31,781,730	1,971,294	33,753,024
Temporarily restricted net assets, end of year	-	811,989	811,989
Total net assets	\$ 89,106,221	\$ 4,242,518	\$ 93,348,739
Revenues:			
Gifts and bequests	\$ 4,994,255	\$ 4,299,945	\$ 9,294,200
Change in value of split-interest agreements	-	(32,063)	(32,063)
Change in pledge discount	-	(227,315)	(227,315)
		\$ 4,040,567	
Change in revenues	\$ 13,426,794	\$ 4,040,567	\$ 17,467,361
Net assets as of 6/30/2013:			
Unrestricted net assets:			
Unrestricted funds, beginning of year	\$ 24,973,834	\$ -	\$ 24,973,834
Donor advised funds, beginning of year	25,269,319	3,240	25,272,559
Designated funds, beginning of year	25,436,274	-	25,436,274
Temporarily restricted, beginning of year	-	198,711	198,711
	\$ 75,679,427	\$ 201,951	\$ 75,881,378
Total changes in net assets		\$ 4,242,518	