

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

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

June 30, 2019 and 2018

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, 2019 and 2018, 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.

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 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 the Foundation as of June 30, 2019 and 2018, 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.

CohnReznick LLP

Hartford, Connecticut
November 21, 2019

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Financial Position
June 30, 2019 and 2018**

	<u>Assets</u>	
	2019	2018
Assets		
Cash and cash equivalents	\$ 5,224,504	\$ 3,704,457
Contributions receivable, net (Note 5)	919,782	1,232,934
Investments - marketable securities (Note 6)	110,289,823	106,621,434
Investments - non-marketable securities (Note 6)	7,912,862	12,354,923
Cash surrender value of life insurance (Note 7)	179,575	163,977
Other assets	4,784	4,943
	\$ 124,531,330	\$ 124,082,668
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 4,658	\$ 39,433
Grants payable	628,673	949,647
Custodial funds managed for other charitable organizations (Note 12)	16,327,298	15,562,727
Split-interest agreements (Note 10)	207,522	209,939
	17,168,151	16,761,746
Net assets		
Without donor restrictions		
General-purpose funds	29,006,107	30,574,825
Donor-advised funds	37,046,770	37,159,857
Designated funds	41,189,867	39,441,702
	107,242,744	107,176,384
With donor restrictions	120,435	144,538
	107,363,179	107,320,922
	\$ 124,531,330	\$ 124,082,668

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Activities and Changes in Net Assets
Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Change in net assets without donor restrictions		
Public support and revenues		
Gifts and bequests	\$ 2,457,058	\$ 3,517,412
Gifts - endowment campaign	20,000	1,646,639
(Provision for loss) loss recovery on uncollectible contributions	14,010	(824,592)
Investment income, net (Note 6)	1,053,875	1,017,468
Fee income	153,069	145,374
Change in cash surrender value of life insurance	1,626	20,444
Other revenue	5,000	14,375
Realized and unrealized gains on investments (Note 6)	<u>2,758,515</u>	<u>8,050,698</u>
Total public support and revenues	<u>6,463,153</u>	<u>13,587,818</u>
Grants and expenses		
Grants and other distributions	4,619,707	4,243,126
Operating expenses	<u>1,777,086</u>	<u>1,709,319</u>
Total grants and expenses	<u>6,396,793</u>	<u>5,952,445</u>
Total change in net assets without donor restrictions	<u>66,360</u>	<u>7,635,373</u>
Change in net assets with donor restrictions		
Change in value of split-interest agreements (Note 10)	<u>(24,103)</u>	<u>8,291</u>
Total change in net assets with donor restrictions	<u>(24,103)</u>	<u>8,291</u>
Total change in net assets	42,257	7,643,664
Net assets, beginning	<u>107,320,922</u>	<u>99,677,258</u>
Net assets, end	<u>\$ 107,363,179</u>	<u>\$ 107,320,922</u>

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2019**

	Program services	Management and general	Fundraising	Total
Grants and other distributions	\$ 4,619,707	\$ -	\$ -	\$ 4,619,707
Salaries	510,190	334,262	314,957	1,159,409
Employee benefits and payroll taxes	101,348	66,400	62,565	230,313
Insurance	-	12,297	-	12,297
Office expense	23,720	17,188	15,572	56,480
Professional expenses	3,917	52,353	3,917	60,187
Information technology	24,754	16,218	15,282	56,254
Occupancy	-	47,915	-	47,915
Professional development	7,839	7,839	2,906	18,584
Marketing and outreach	40,491	17,996	31,493	89,980
Advertising and promotion	14,964	-	18,289	33,253
Center for philanthropy	3,871	-	-	3,871
Endowment campaign	-	-	8,543	8,543
	<u>\$ 5,350,801</u>	<u>\$ 572,468</u>	<u>\$ 473,524</u>	<u>\$ 6,396,793</u>
Total expenses				

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2018**

	Program services	Management and general	Fundraising	Total
Grants and other distributions	\$ 4,243,126	\$ -	\$ -	\$ 4,243,126
Salaries	465,608	282,344	368,807	1,116,759
Employee benefits and payroll taxes	87,011	52,763	68,921	208,695
Insurance	4,656	2,823	3,688	11,167
Office expense	14,501	6,313	11,283	32,097
Professional expenses	-	39,424	-	39,424
Information technology	23,422	10,410	18,217	52,049
Occupancy	19,717	11,956	15,617	47,290
Professional development	10,400	6,331	8,250	24,981
Marketing and outreach	44,486	-	29,657	74,143
Advertising and promotion	15,029	-	12,296	27,325
Center for philanthropy	39,010	-	-	39,010
Endowment campaign	-	-	36,379	36,379
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 4,966,966</u>	<u>\$ 412,364</u>	<u>\$ 573,115</u>	<u>\$ 5,952,445</u>

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Cash receipts from gifts and bequests	\$ 2,780,390	\$ 4,805,568
Investment income, net	1,210,217	1,160,969
Payments to employees and suppliers	(1,811,702)	(1,672,248)
Grants and other distributions	(4,935,681)	(4,119,270)
Cash receipts from fee income	153,069	145,374
	<u>(2,603,707)</u>	<u>320,393</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Proceeds from sales and redemptions of securities	5,557,931	8,095,392
Purchases of securities	(1,585,109)	(6,284,378)
Premiums paid for life insurance	(16,662)	(16,662)
	<u>3,956,160</u>	<u>1,794,352</u>
Net cash provided by investing activities		
Cash flows from financing activities		
Receipt of custodial funds held for other organizations	1,119,823	950,589
Distribution of custodial funds held for other organizations	(952,229)	(773,462)
	<u>167,594</u>	<u>177,127</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	1,520,047	2,291,872
Cash and cash equivalents, beginning	<u>3,704,457</u>	<u>1,412,585</u>
Cash and cash equivalents, end	<u>\$ 5,224,504</u>	<u>\$ 3,704,457</u>

Jewish Community Foundation of Greater Hartford, Inc.

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ 42,257	\$ 7,643,664
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized gains on investments	(2,758,515)	(8,050,698)
Provision for loss (loss recovery) on uncollectible contributions	(14,010)	824,592
Investment income on custodial funds	156,342	143,501
Cash surrender value of life insurance, net	1,064	(16,379)
Change in value of split-interest agreements	24,103	(8,291)
Change in contributions receivable discount	(14,026)	14,414
Changes in operating assets and liabilities		
Contributions receivable	341,188	(374,454)
Other assets	159	(542)
Accounts payable	(34,775)	37,613
Grants payable	(320,974)	109,481
Split-interest agreements	(26,520)	(2,508)
Total adjustments	(2,645,964)	(7,323,271)
Net cash provided by (used in) operating activities	\$ (2,603,707)	\$ 320,393

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2019 and 2018

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 meet community challenges, strengthen nonprofit organizations, and provide ongoing financial support, education and technical assistance to the community. The Foundation views itself as more than a steward of community endowment as it 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").

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.

Net assets without donor restrictions

Donor-advised and designated funds are both characterized as net assets without donor restrictions. 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 considered net assets that are not subject to explicit donor-imposed stipulations and, therefore, characterized as net assets without donor restrictions. Custodial funds are reflected as a liability and are not included in net assets without donor restrictions as of June 30, 2019 and 2018. For accounting and reporting purposes, funds of similar characteristics are classified into the following categories:

General-purpose funds

Unless specifically restricted as to the use of principal or income by the donor, any gift or bequest is available for general purposes.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2019 and 2018

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 general-purpose 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 net assets without donor restrictions.

Net assets with donor restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. To the best knowledge of management (and in part because of the variance language noted above), the Foundation does not have any net assets with donor restrictions that must be permanently maintained as of June 30, 2019 and 2018.

Revenue recognition

Unconditional promises to give are recorded as contributions receivable and support when the promise is received. Contributions received are recorded as with or without donor restrictions 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), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions receivable are discounted to the anticipated net present value of the future cash flows. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions.

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 \$2,500.

Investments

Investments are carried at fair value (Note 8). Net investment return or loss is reported in the statements of activities and changes in net assets and consists of interest and dividend income, net of external investment expenses, and realized and unrealized gains and losses.

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, 2019 and 2018

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

Donated services are recorded in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. During the years ended June 30, 2019 and 2018, 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 in conformity with GAAP 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.

Functional allocation of expenses

The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income tax status

The Foundation is classified by the Internal Revenue Service ("IRS") as a tax-exempt organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and as a public charity under sections 509(a)(1) and 170(b)(1)(A)(vi) of the IRC. 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 for unrelated business income, which represent the major tax jurisdictions of the Foundation. Federal and state tax years 2016 through 2018 remain open for audit under the various statutes of limitations.

Subsequent events

The Foundation has evaluated events and transactions for potential recognition or disclosure through November 21, 2019, which is the date the financial statements were available to be issued.

Note 3 - Endowment campaign

The Foundation has completed a fundraising campaign (the Aim Chai Endowment Campaign) to increase the size of the community's endowment. As of June 30, 2019, there have been contributions, pledges or gift intentions of approximately \$46 million towards the campaign goal. The Foundation's financial statements do not include legacy or bequest intentions, and other pledges and donor intentions that do not meet the standard for GAAP recognition. The Foundation's financial statements also do not include contributions which are made directly to partner institutions as part of the general community campaign.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

Note 4 - Liquidity

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while investing in accordance with the Foundation's investment strategy in Note 9. As of June 30, 2019 and 2018, the following financial assets are available to meet annual operating needs of the 2020 and 2019 fiscal years, respectively.

	2019	2018
Cash and cash equivalents	\$ 5,224,504	\$ 3,704,457
Contributions receivable	919,782	1,232,934
Marketable securities	110,289,823	106,621,434
Non-marketable securities	7,912,862	12,354,923
Total financial assets	124,346,971	123,913,748
Less amounts not available to be used within one year		
Contributions receivable - due after one year, net	(539,076)	(898,042)
Assets held under split-interest agreements	(327,967)	(354,487)
Custodial funds managed for other charitable organizations	(16,327,298)	(15,562,727)
Donor-advised funds	(37,046,770)	(37,159,857)
Designated funds	(41,189,867)	(39,441,702)
Financial assets available to meet general expenditures within one year	\$ 28,915,993	\$ 30,496,933

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, and liquid equity and bond instruments primarily from within its without donor restrictions general-purpose funds. The Foundation's Investment Committee meets at least quarterly to review investment performance and consider near-term liquidity needs. As a general matter, the Foundation strives to maintain a cash position in excess of one year's operating expense, but in all cases, maintains liquid assets from general-purpose funds sufficient to cover near-term liquidity needs.

In addition to financial assets available to meet general expenditures within one year, amounts reported as designated funds could be made available, as needed, by Board action. The Foundation has no outstanding debt and has no plan to incur any debt.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

Note 5 - Contributions receivable

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

	2019	2018
Less than one year	\$ 380,706	\$ 334,892
One to five years	567,465	939,457
Over five years	-	1,000
	948,171	1,275,349
Less allowance for uncollectible amounts	-	-
Less unamortized discount (2%)	28,389	42,415
Total	\$ 919,782	\$ 1,232,934

Note 6 - Investments

The fair value of marketable securities at June 30, 2019 and 2018 is as follows:

	2019	2018
Pooled investments		
Managed equity funds	\$ 88,024,839	\$ 85,766,286
Managed bond funds	21,513,928	20,103,020
State of Israel bonds	750,056	749,270
Asset-backed securities	-	1,858
Total pooled investments	110,288,823	106,620,434
Non-pooled investments		
State of Israel bonds	1,000	1,000
Total marketable securities	\$ 110,289,823	\$ 106,621,434

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

The fair value of non-marketable investments at June 30, 2019 and 2018 is as follows:

	2019	2018
Pooled investments		
Non-marketable securities		
Private equity ¹	\$ 3,455,655	\$ 3,136,083
Venture capital	4,194,814	2,907,495
Absolute return strategy	-	5,976,220
Private International equity	262,393	335,125
Total non-marketable securities	\$ 7,912,862	\$ 12,354,923

¹The private equity category of non-marketable securities includes 100 shares of private company stock which was donated to the Foundation and recorded by management at a value of \$1 in December 2016.

Investment return for the years ended June 30, 2019 and 2018 is summarized as follows:

	2019	2018
Interest and dividend income, net	\$ 1,210,217	\$ 1,160,969
Less investment returns applicable to custodial funds	(156,342)	(143,501)
Net investment income	1,053,875	1,017,468
Realized gains	1,963,488	8,631,990
Unrealized gains	1,235,662	564,031
Gains applicable to custodial funds	(440,635)	(1,145,323)
Net realized and unrealized gains	2,758,515	8,050,698
Total investment return	\$ 3,812,390	\$ 9,068,166

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. The cash surrender value of life insurance was \$179,575 and \$163,977 as of June 30, 2019 and 2018, respectively.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

Note 8 - Fair value measurements

The Foundation values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability 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 based upon their unit values reported at year end. These units consist of investments valued based on observable inputs. Certain of the Foundation's pooled investments and its non-marketable investments include direct investments in private equity funds, partnerships and limited liability companies. Their estimated fair values are reported at the net asset value ("NAV") per share of the investment or its equivalent, as a practical expedient for a fair value measurement, if (a) the underlying investment manager's calculation of NAV is fair value based, and (b) the NAV has been calculated by the fund manager as of the Foundation's fiscal year end. If the reported NAV is not as of the Foundation's fiscal year end or is not fair value based, the Foundation will adjust the NAV if deemed necessary. If the Foundation determines it is not practicable to calculate adjusted NAV, the practical expedient will not be utilized and other valuation methodologies will be used.

Liabilities under split-interest agreements are valued by calculating the present value of future distributions to beneficiaries, based on life expectancy and a discount rate of 5%.

There have been no changes in the methodologies used at June 30, 2019 and 2018.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

Financial assets and liabilities measured at fair value at June 30, 2019 have been categorized in the table below based upon the fair value hierarchy described above:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities				
Pooled investments				
Managed equity funds	\$ 66,113,562	\$ 66,113,562	\$ -	\$ -
Managed bond funds	9,682,785	9,682,785	-	-
State of Israel bonds	750,056	750,056	-	-
Asset-backed securities	-	-	-	-
Total pooled investments	<u>76,546,403</u>	<u>76,546,403</u>	-	-
Non-pooled investments				
State of Israel bonds	<u>1,000</u>	<u>1,000</u>	-	-
Total marketable securities in the fair value hierarchy	<u>76,547,403</u>	<u>\$ 76,547,403</u>	<u>\$ -</u>	<u>\$ -</u>
Pooled investments				
Fixed income funds	11,831,143			
International value funds	19,189,133			
Mid cap value funds	<u>2,722,144</u>			
Total pooled investments measured at net asset value	<u>33,742,420</u>			
Total marketable securities at fair value	<u>110,289,823</u>			
Non-marketable securities				
Private equity	3,455,655			
Venture capital	4,194,814			
Absolute return strategy	-			
Private international equity	<u>262,393</u>			
Total non-marketable securities measured at net asset value	<u>7,912,862</u>			
Total investments at fair value	<u>\$ 118,202,685</u>			
Liabilities under split-interest agreements	<u>\$ 207,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,522</u>

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

Financial assets and liabilities measured at fair value at June 30, 2018 have been categorized in the table below based upon the fair value hierarchy described above:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities				
Pooled investments				
Managed equity funds	\$ 63,162,276	\$ 63,162,276	\$ -	\$ -
Managed bond funds	8,941,142	8,941,142	-	-
State of Israel bonds	749,270	749,270	-	-
Asset-backed securities	1,858	1,858	-	-
Total pooled investments	<u>72,854,546</u>	<u>72,854,546</u>	-	-
Non-pooled investments				
State of Israel bonds	1,000	1,000	-	-
Total marketable securities in the fair value hierarchy	<u>72,855,546</u>	<u>\$ 72,855,546</u>	<u>\$ -</u>	<u>\$ -</u>
Pooled investments				
Real asset funds	11,161,878			
Fixed income funds	19,708,073			
Mid cap value funds	<u>2,895,937</u>			
Total pooled investments measured at net asset value	<u>33,765,888</u>			
Total marketable securities at fair value	<u>106,621,434</u>			
Non-marketable securities				
Private equity	3,136,083			
Venture capital	2,907,495			
Absolute return strategy	5,976,220			
Private international equity	<u>335,125</u>			
Total non-marketable securities measured at net asset value	<u>12,354,923</u>			
Total investments at fair value	<u>\$ 118,976,357</u>			
Liabilities under split-interest agreements	<u>\$ 209,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,939</u>

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.

The Foundation recognizes transfers between levels in the fair value hierarchy at the beginning of the period. There were no transfers during the years ended June 30, 2019 and 2018.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

Investments valued using NAV at June 30, 2019 and 2018 are as follows:

		Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
<u>June 30, 2019</u>					
Marketable securities					
Fixed income funds	(b)	\$ 11,831,143	\$ -	Daily - Monthly	5 - 45 days
International value funds	(c)	19,189,133	-	Monthly	15 days
Mid cap funds	(d)	<u>2,722,144</u>	<u>-</u>	Monthly	10 days
		<u>\$ 33,742,420</u>	<u>\$ -</u>		
Non-marketable securities					
Private equity	(e)	\$ 3,455,655	\$ 92,502	Not Eligible	N/A
Venture capital	(f)	4,194,814	2,445,000	Not Eligible	N/A
Private international equity	(h)	<u>262,393</u>	<u>20,000</u>	Not Eligible	N/A
		<u>\$ 7,912,862</u>	<u>\$ 2,557,502</u>		
<u>June 30, 2018</u>					
Marketable securities					
Real asset funds	(a)	\$ 11,161,878	\$ -	Monthly	30 days
Fixed income funds	(b)	19,708,073	-	Daily - Monthly	5 - 45 days
Mid cap funds	(d)	<u>2,895,937</u>	<u>-</u>	Monthly	10 days
		<u>\$ 33,765,888</u>	<u>\$ -</u>		
Non-marketable securities					
Private equity	(e)	3,136,083	1,307,502	Not Eligible	N/A
Venture capital	(f)	2,907,495	2,365,000	Not Eligible	N/A
Absolute return strategy	(g)	5,976,220	-	Annual	75 days
Private international equity	(h)	<u>335,125</u>	<u>20,000</u>	Not Eligible	N/A
		<u>\$ 12,354,923</u>	<u>\$ 3,692,502</u>		

(a) This category primarily includes investments in funds that invest globally in commodity related instruments, primarily in the energy, agriculture and metals sectors.

(b) This category seeks income-oriented returns investing globally in mostly debt or debt-like securities.

(c) This category primarily includes investments in funds that invest mostly in international common stocks.

(d) This category seeks to provide long-term capital application by investing primarily in U.S. common stocks in the medium-to-large market capitalization segment.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

- (e) This category includes investments in private limited partnerships, which make private equity investments with the objective of long-term capital growth. Distributions from each partnership will be received, generally, 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.
- (f) This category primarily includes investments in private limited partnerships, which make venture capital investments in emerging growth companies with the objective of 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.
- (g) This category primarily includes investments 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.
- (h) This category primarily includes investments in private international limited partnerships, which make private international equity investments with the objective of 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.

Changes in liabilities measured at fair value using Level 3 inputs for the years ended June 30, 2019 and 2018 are as follows:

	Liabilities under trusts held by others
Balance as of June 30, 2017	\$ 220,738
Change in fair value	<u>(10,799)</u>
Balance as of June 30, 2018	209,939
Change in fair value	<u>(2,417)</u>
Balance as of June 30, 2019	<u><u>\$ 207,522</u></u>

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

Changes in fair value of non-marketable securities measured using NAV for the year ended June 30, 2019 are as follows:

	<u>Total</u>	<u>Private equity</u>	<u>Venture capital</u>	<u>Absolute return strategy</u>	<u>Private international equity</u>
Balance, beginning	\$ 12,354,923	\$ 3,136,083	\$ 2,907,495	\$ 5,976,220	\$ 335,125
Realized gains	1,339,740	196,978	325,607	701,675	115,480
Unrealized gains (losses)	89,768	445,593	900,821	(1,201,716)	(54,930)
Contributions	655,000	265,000	380,000	-	10,000
Distributions	(6,410,775)	(543,796)	(273,779)	(5,454,837)	(138,363)
Net expense	<u>(115,794)</u>	<u>(44,203)</u>	<u>(45,330)</u>	<u>(21,342)</u>	<u>(4,919)</u>
Balance, ending	<u>\$ 7,912,862</u>	<u>\$ 3,455,655</u>	<u>\$ 4,194,814</u>	<u>\$ -</u>	<u>\$ 262,393</u>

Change in fair value of non-marketable securities measured using NAV for the year ended June 30, 2018 are as follows:

	<u>Total</u>	<u>Private equity</u>	<u>Venture capital</u>	<u>Absolute return strategy</u>	<u>Private international equity</u>
Balance, beginning	\$ 10,894,466	\$ 2,513,739	\$ 2,360,261	\$ 5,626,143	\$ 394,323
Realized gains	411,786	252,759	107,552	-	51,475
Unrealized gains (losses)	780,049	209,619	182,245	401,817	(13,632)
Contributions	1,414,460	819,460	595,000	-	-
Distributions	(989,472)	(604,945)	(290,922)	-	(93,605)
Net expense	<u>(156,366)</u>	<u>(54,549)</u>	<u>(46,641)</u>	<u>(51,740)</u>	<u>(3,436)</u>
Balance, ending	<u>\$ 12,354,923</u>	<u>\$ 3,136,083</u>	<u>\$ 2,907,495</u>	<u>\$ 5,976,220</u>	<u>\$ 335,125</u>

Note 9 - Charitable funds management

The Foundation has 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 ("CTUPMIFA"), enacted October 1, 2007, provides guidelines for managing and investing charitable funds, as well as for spending from endowment funds.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2019 and 2018

The Foundation, upon review of gift instruments creating charitable funds at the Foundation, identified no funds that meet the definition of endowment under CTUPMIFA. Although the charitable assets entrusted to the Foundation do not meet this definition and, therefore, its spending is not limited by the provisions of CTUPMIFA, the Foundation looks to the following factors described in CTUPMIFA 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.

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 smooth 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 2019 and 2018 has been set at 5% of the previous 20 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, 2018 and 2017.

Note 10 - 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.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2019 and 2018

Assets held relating to the split-interest agreements for 2019 and 2018 were \$327,906 and \$354,487, respectively, and are included in investments - marketable securities in the statements of financial position. The liabilities related to the split-interest agreements for 2019 and 2018 were \$207,522 and \$209,939, respectively.

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 (\$24,103) and \$8,291 for the years ended June 30, 2019 and 2018, respectively.

Note 11 - Life insurance premiums

Included in operating expenses are life insurance premiums paid on life insurance policies for certain policies that the Foundation owns and is named beneficiary. Life insurance premiums were \$16,662 for the years ended June 30, 2019 and 2018, 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 for the years ended June 30, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Custodial funds, beginning	\$ 15,562,727	\$ 14,096,776
Contributions	1,119,823	950,589
Investment return	596,977	1,288,824
Distributions	(799,159)	(628,067)
Administrative expenses	<u>(153,070)</u>	<u>(145,395)</u>
Custodial funds, end	<u>\$ 16,327,298</u>	<u>\$ 15,562,727</u>

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2019 and 2018**

At June 30, 2019 and 2018, the Foundation held assets as custodian for the following:

	2019	2018
AAA Alt Invst Market Value Adjst Custodial	\$ 58,116	\$ 8,563
Anonymous	2,706,586	2,706,347
Beth Hillel Synagogue of Bloomfield	543,195	677,061
The Endowment Fund of Beth El Temple of West Hartford	4,804,906	4,669,208
B'nai Sholom Cemetery Fund	236,685	231,448
Congregation Beth Israel	1,270,854	1,235,457
Bess and Paul Sigel Hebrew Academy	253,456	258,424
Hebrew Health Care Auxiliary	549	17,215
Hebrew Health Care Foundation	920,061	939,833
Joyce D. and Andrew Mandell Jewish Community Center	1,469,545	1,486,383
Jewish Community Living Auxiliary	43,879	44,542
Jewish Family Service of Greater Hartford	634,482	497,544
Jewish Historical Society of Greater Hartford	154,035	150,619
Schoke JFS Endowment Fund	827,620	850,758
Solomon Schechter Day School	400,425	460,735
Temple Beth El of Stamford Endowment	1,717,011	1,039,687
University of Connecticut Hillel	246,515	250,398
Young Israel of West Hartford	39,378	38,505
	\$ 16,327,298	\$ 15,562,727

Note 13 - Net assets with donor restrictions

Net assets with donor restrictions as of June 30, 2019 and 2018 are \$120,435 and \$144,548, respectively. The net assets are restricted based on the passage of time and consist of assets held related to charitable remainder trusts and their respective liabilities (see Note 10).

Note 14 - Related party transactions

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 its own Board of Trustees. The bylaws of 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 \$1,298,639 and \$1,219,844 for the years ended June 30, 2019 and 2018, respectively. Outstanding grants payable to the Federation at June 30, 2019 and 2018 were \$336,777 and \$429,105, respectively.

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 \$141,000 and \$416,000 for the years ended June 30, 2019 and 2018, respectively.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2019 and 2018

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 \$1,527,901 and \$992,470 for the years ended June 30, 2019 and 2018, 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 (\$12,615 in 2019 and \$14,147 in 2018). The lease arrangement expired in April 2016 and currently operates on a month-to-month basis. Rent expense for each of the years ended June 30, 2019 and 2018 was \$35,290.

Pursuant to a shared services agreement, the Federation reimbursed the Foundation at cost for specific operating expenses of \$37,977 for the year ended June 30, 2019 and the Foundation reimbursed the Federation at cost for specific operating expenses of \$1,290 for the year ended June 30, 2018.

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, 2019 and 2018, the pension expense was \$35,687 and \$41,187, respectively.

Note 16 - Functionalized expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, insurance, professional services, office expenses, information technology and occupancy which are allocated on the basis of estimates of time and effort.

Note 17 - 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. As of June 30, 2019 and 2018, the Foundation's uninsured cash balances are not material.

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.