

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

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

June 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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.



Hartford, Connecticut
November 30, 2017

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Financial Position
June 30, 2017 and 2016**

	<u>Assets</u>	
	2017	2016
Assets		
Cash and cash equivalents	\$ 1,412,585	\$ 2,529,453
Contributions receivable, net (Note 6)	1,697,486	2,986,492
Investments - marketable securities (Note 7)	100,696,884	87,654,025
Investments - non-marketable securities (Note 7)	10,894,466	9,701,936
Cash surrender value of life insurance (Note 8)	130,936	280,241
Other assets	4,401	58,761
	\$ 114,836,758	\$ 103,210,908
 <u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 1,820	\$ 6,521
Grants payable	840,166	844,584
Custodial funds managed for other charitable organizations (Note 13)	14,096,776	12,221,250
Split-interest agreements (Note 11)	220,738	225,149
	15,159,500	13,297,504
Net assets		
Without donor restrictions		
General-purpose funds	29,129,462	26,538,145
Donor-advised funds	34,128,740	29,727,359
Designated funds	36,282,809	33,529,247
	99,541,011	89,794,751
With donor restrictions	136,247	118,653
	99,677,258	89,913,404
	\$ 114,836,758	\$ 103,210,908

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Activities and Changes in Net Assets
Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Change in net assets without donor restrictions		
Public support and revenues		
Gifts and bequests	\$ 1,215,342	\$ 816,005
Gifts - endowment campaign	2,633,219	3,000,519
Provision for loss on an uncollectible contribution	(890,000)	-
Investment income (Note 7)	775,527	940,942
Fee income	123,429	143,843
Decrease in cash surrender value of life insurance	(8,662)	(10,180)
Released from restrictions	-	615,191
Realized and unrealized gains (losses) on investments (Note 7)	<u>11,567,002</u>	<u>(3,014,314)</u>
Total public support and revenues	<u>15,415,857</u>	<u>2,492,006</u>
Grants and expenses		
Grants and other distributions	3,883,874	3,329,363
Operating expenses	1,785,723	1,796,302
Depreciation	<u>-</u>	<u>1,632</u>
Total grants and expenses	<u>5,669,597</u>	<u>5,127,297</u>
Total change in net assets without donor restrictions	<u>9,746,260</u>	<u>(2,635,291)</u>
Change in net assets with donor restrictions		
Gifts and bequests	-	11,531
Change in value of split-interest agreements (Note 11)	17,594	(32,002)
Released from restrictions	<u>-</u>	<u>(615,191)</u>
Total change in net assets with donor restrictions	<u>17,594</u>	<u>(635,662)</u>
Total change in net assets	9,763,854	(3,270,953)
Net assets, beginning	<u>89,913,404</u>	<u>93,184,357</u>
Net assets, end	<u>\$ 99,677,258</u>	<u>\$ 89,913,404</u>

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2017**

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Grants and other distributions	\$ 3,883,874	\$ -	\$ -	\$ 3,883,874
Salaries	481,226	239,883	416,100	1,137,209
Employee benefits and payroll taxes	53,233	26,535	46,028	125,796
Insurance	38,839	19,361	33,583	91,783
Office expense	13,717	5,916	10,669	30,302
Professional expenses	4,880	34,118	-	38,998
Information technology	23,935	10,638	18,616	53,189
Occupancy	19,397	9,668	16,771	45,836
Professional development	10,640	5,327	9,214	25,181
Marketing and outreach	27,894	12,398	21,696	61,988
Advertising and promotion	19,633	8,731	15,270	43,634
Center for philanthropy	68,095	-	-	68,095
Endowment campaign	-	-	63,712	63,712
	<u>-</u>	<u>-</u>	<u>63,712</u>	<u>63,712</u>
 Total expenses	 <u>\$ 4,645,363</u>	 <u>\$ 372,575</u>	 <u>\$ 651,659</u>	 <u>\$ 5,669,597</u>

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2016**

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Grants and other distributions	\$ 3,329,363	\$ -	\$ -	\$ 3,329,363
Salaries	476,477	244,157	426,823	1,147,457
Employee benefits and payroll taxes	48,279	24,751	43,226	116,256
Insurance	38,914	19,940	34,858	93,712
Office expense	14,705	12,431	11,437	38,573
Professional expenses	42	28,795	3,234	32,071
Information technology	20,718	9,208	16,114	46,040
Occupancy	20,453	10,480	18,321	49,254
Professional development	11,159	5,742	10,010	26,911
Marketing and outreach	28,544	12,686	22,201	63,431
Advertising and promotion	11,712	5,205	9,109	26,026
Center for philanthropy	121,404	-	-	121,404
Endowment campaign	-	-	35,167	35,167
Depreciation	734	326	572	1,632
	<u>\$ 4,122,504</u>	<u>\$ 373,721</u>	<u>\$ 631,072</u>	<u>\$ 5,127,297</u>
Total expenses				

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Cash Flows
Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Cash receipts from gifts and bequests	\$ 4,406,671	\$ 4,823,776
Investment income	881,461	516,816
Payments to employees and suppliers	(1,736,064)	(1,842,273)
Grants and other distributions	(3,888,292)	(3,238,175)
Cash receipts from fee income	<u>123,429</u>	<u>143,843</u>
Net cash provided by (used in) operating activities	<u>(212,795)</u>	<u>403,987</u>
Cash flows from investing activities		
Proceeds from sales of securities	8,095,392	17,122,292
Purchases of securities	(9,176,512)	(15,372,370)
Proceeds from remainder interest	-	273,666
Proceeds from charitable remainder trust held by others	-	614,710
Premiums paid for life insurance	<u>(5,278)</u>	<u>(5,278)</u>
Net cash provided by (used in) investing activities	<u>(1,086,398)</u>	<u>2,633,020</u>
Cash flows from financing activities		
Receipt of custodial funds held for other organizations	1,318,854	276,693
Distribution of custodial funds held for other organizations	<u>(1,136,529)</u>	<u>(2,402,644)</u>
Net cash provided by (used in) financing activities	<u>182,325</u>	<u>(2,125,951)</u>
Net increase (decrease) in cash and cash equivalents	(1,116,868)	911,056
Cash and cash equivalents, beginning	<u>2,529,453</u>	<u>1,618,397</u>
Cash and cash equivalents, end	<u>\$ 1,412,585</u>	<u>\$ 2,529,453</u>

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Cash Flows
Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	<u>\$ 9,763,854</u>	<u>\$ (3,270,953)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	-	1,632
Realized and unrealized (gains) losses on investments	(11,567,002)	3,014,314
Provision for loss on an uncollectible contribution	890,000	-
Investment income (loss) on custodial funds	105,934	(424,126)
Cash surrender value of life insurance, net	154,583	1,487
Change in value of split-interest agreements	(17,594)	32,002
Change in pledge discount	(48,983)	(57,321)
Changes in operating assets and liabilities		
Pledges receivable	447,989	1,097,510
Other assets	54,360	(50,593)
Accounts payable	(4,701)	4,622
Grants payable	(4,418)	91,188
Split interest agreements	13,183	(35,775)
Total adjustments	<u>(9,976,649)</u>	<u>3,674,940</u>
Net cash provided by (used in) operating activities	<u>\$ (212,795)</u>	<u>\$ 403,987</u>

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2017 and 2016

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 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 - Newly adopted accounting standards

During 2017, the Foundation adopted the provisions of ASU 2016-14. The provisions improve the usefulness and reduce the complexities of information provided to donors, grantors, creditors, and other users of the financial statements by eliminating the distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements. Enhanced disclosures in the notes to the financial statements will provide useful information about the nature, amounts and effects of the various types of donor-imposed restrictions, which often include limits on the purposes for which the resources can be used as well as the time frame for their use. In accordance with the adoption of ASU 2016-14, the Foundation changed the presentation of its statement of cash flows to the direct method and has elected not to also present the reconciliation of the change in net assets to net cash provided by (used in) operating activities. The adoption of ASU 2016-14 had no effect on the Foundation's net assets.

During 2017, the Foundation adopted the provisions of Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share* ("ASU 2015-07"), which modifies the fair value presentation for investments valued using net asset value ("NAV"). As a result, in accordance with ASU 2015-07, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in the tables included in Note 9 are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

Note 3 - 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").

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2017 and 2016

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, 2017 and 2016. 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.

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, 2017 and 2016.

Revenue recognition

Unconditional promises to give are recorded as contributions receivable 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

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2017 and 2016

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.

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 are carried at fair value (Note 9). Net investment return or loss is reported in the statements of activities and changes in net assets and consists of interest and dividend income and realized and unrealized gains and losses, net of external investment expenses.

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

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, 2017 and 2016, 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.

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.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2017 and 2016

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 2013 through 2015 remain open for audit under the various statutes of limitations.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the current year's presentation.

Subsequent events

The Foundation has evaluated events and transactions for potential recognition or disclosure through November 30, 2017, which is the date the financial statements were available to be issued.

Note 4 - 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, 2017, there have been contributions, pledges or gift intentions of approximately \$40 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.

Note 5 - Liquidity

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2017, the following financial assets are available to meet annual operating needs of the 2018 fiscal year.

Cash and cash equivalents	\$	1,412,585
Contributions receivable		1,697,486
Marketable securities		100,696,884
Non-marketable securities		10,894,466
Total financial assets		<u>114,701,421</u>
Less amounts not available to be used within one year		
Contributions receivable - due after one year, net		(86,559)
Assets held under split-interest agreements		(356,985)
Custodial funds managed for other charitable organizations		(14,096,776)
Donor-advised funds		(34,128,740)
Designated funds		<u>(36,282,809)</u>
Financial assets available to meet general expenditures within one year	\$	<u>29,749,552</u>

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 donor unrestricted 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

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2017 and 2016**

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 any near-term liquidity needs.

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

Note 6 - Contributions receivable

Unconditional promises to give are recorded as contributions receivable and support when the promise is received and 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. Contributions receivable are expected to be realized in the following periods:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 1,610,927	\$ 1,128,809
One to five years	994,060	1,916,667
Over five years	<u>10,500</u>	<u>18,000</u>
	2,615,487	3,063,476
Less allowance for uncollectible amounts	890,000	-
Less unamortized discount (2%)	<u>28,001</u>	<u>76,984</u>
Total	<u>\$ 1,697,486</u>	<u>\$ 2,986,492</u>

The provision for loss on an uncollectible contribution relates to a single donor whose prior-year pledge to the Aim Chai campaign may be paid directly to a beneficiary agency, rather than to the Foundation.

Note 7 - Investments

The fair value of marketable securities at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Pooled investments		
Managed equity funds	\$ 82,056,877	\$ 68,590,559
Managed bond funds	18,081,512	18,451,026
State of Israel bonds	555,498	605,499
Asset-backed securities	1,997	-
Corporate bonds	<u>-</u>	<u>5,941</u>
Total pooled investments	100,695,884	87,653,025
Non-pooled investments		
State of Israel bonds	<u>1,000</u>	<u>1,000</u>
Total marketable securities	<u>\$ 100,696,884</u>	<u>\$ 87,654,025</u>

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**Notes to Financial Statements
June 30, 2017 and 2016**

The fair value of non-marketable investments at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Pooled investments		
Non-marketable securities		
Private equity	\$ 2,513,739	\$ 2,074,222
Venture capital	2,360,261	2,117,417
Absolute return strategy	5,626,143	5,071,182
Private International equity	<u>394,323</u>	<u>439,115</u>
Total non-marketable securities	<u>\$ 10,894,466</u>	<u>\$ 9,701,936</u>

Investment return for the years ended June 30, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividend income, net	\$ 881,461	\$ 1,088,226
Less investment returns applicable to custodial funds	<u>(105,934)</u>	<u>(147,284)</u>
Net investment income	<u>775,527</u>	<u>940,942</u>
Realized gains	1,269,368	1,956,970
Unrealized gains (losses)	11,884,901	(5,542,694)
(Gain) loss applicable to custodial funds	<u>(1,587,267)</u>	<u>571,410</u>
Net realized and unrealized losses	<u>11,567,002</u>	<u>(3,014,314)</u>
Total investment return	<u>\$ 12,342,529</u>	<u>\$ (2,073,372)</u>

Note 8 - 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 \$130,936 and \$280,241 as of June 30, 2017 and 2016, respectively.

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**Notes to Financial Statements
June 30, 2017 and 2016**

Note 9 - Fair value of financial instruments

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 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, 2017 and 2016.

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**Notes to Financial Statements
June 30, 2017 and 2016**

Financial assets and liabilities measured at fair value at June 30, 2017 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	\$ 65,801,249	\$ 65,801,249	\$ -	\$ -
Managed bond funds	11,766,641	11,766,641	-	-
State of Israel bonds	555,498	555,498	-	-
Asset-backed securities	1,997	1,997	-	-
Total pooled investments	<u>78,125,385</u>	<u>78,125,385</u>	-	-
Non-pooled investments				
State of Israel bonds	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Total marketable securities in the fair value hierarchy	<u>78,126,385</u>	<u>\$ 78,125,385</u>	<u>\$ 1,000</u>	<u>\$ -</u>
Pooled investments				
Real asset funds	821,589			
Fixed income funds	9,691,008			
International value funds	9,319,874			
Mid cap value funds	<u>2,738,028</u>			
Total pooled investments measured at net asset value	<u>22,570,499</u>			
Total marketable securities at fair value	<u>100,696,884</u>			
Non-marketable securities				
Private equity	2,513,739			
Venture capital	2,360,261			
Absolute return strategy	5,626,143			
Private international equity	<u>394,323</u>			
Total non-marketable securities measured at net asset value	<u>10,894,466</u>			
Total investments at fair value	<u>\$ 111,591,350</u>			
Liabilities under split-interest agreements	<u>\$ 220,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,738</u>

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2017 and 2016**

Financial assets and liabilities measured at fair value at June 30, 2016 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	\$ 54,968,920	\$ 54,968,920	\$ -	\$ -
Managed bond funds	12,074,204	12,074,204	-	-
State of Israel bonds	605,499	605,499	-	-
Corporate bonds	5,941	-	5,941	-
Total pooled investments	<u>67,654,564</u>	<u>67,648,623</u>	<u>5,941</u>	<u>-</u>
Non-pooled investments				
State of Israel bonds	1,000	-	1,000	-
Total marketable securities in the fair value hierarchy	<u>67,655,564</u>	<u>\$ 67,648,623</u>	<u>\$ 6,941</u>	<u>\$ -</u>
Pooled investments				
Real asset funds	883,418			
Fixed income funds	9,432,412			
International value funds	7,403,489			
Mid cap value funds	<u>2,279,142</u>			
Total pooled investments measured at net asset value	<u>19,998,461</u>			
Total marketable securities at fair value	<u>87,654,025</u>			
Non-marketable securities				
Private equity	2,074,222			
Venture capital	2,117,417			
Absolute return strategy	5,071,182			
Private international equity	<u>439,115</u>			
Total non-marketable securities measured at net asset value	<u>9,701,936</u>			
Total investments at fair value	<u>\$ 97,355,961</u>			
Liabilities under split-interest agreements	<u>\$ 225,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,149</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, 2017 and 2016.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2017 and 2016**

Investments valued using NAV at June 30, 2017 and 2016 are as follows:

		Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
<u>June 30, 2017:</u>					
Marketable securities					
Real asset funds	(a)	\$ 821,589	\$ -	Monthly	30 days
Fixed income funds	(b)	9,691,008	-	Daily - Monthly	5 - 45 days
International value funds	(c)	9,319,874	-	Monthly	15 days
Mid cap funds	(d)	2,738,028	-	Monthly	10 days
		<u>\$ 22,570,499</u>	<u>\$ -</u>		
Non-marketable securities					
Private equity	(e)	2,513,739	1,307,502	Not Eligible	N/A
Venture capital	(f)	2,360,261	2,365,000	Not Eligible	N/A
Absolute return strategy	(g)	5,626,143	-	Annual	75 days
Private international equity	(h)	394,323	20,000	Not Eligible	N/A
		<u>\$ 10,894,466</u>	<u>\$ 3,692,502</u>		
		Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
<u>June 30, 2016</u>					
Marketable securities					
Real asset funds	(a)	\$ 883,418	\$ -	Monthly	30 days
Fixed income funds	(b)	9,432,412	-	Daily - Monthly	5 - 45 days
International value funds	(c)	7,403,489	-	Monthly	15 days
Mid cap funds	(d)	2,279,142	-	Monthly	10 days
		<u>\$ 19,998,461</u>	<u>\$ -</u>		
Non-marketable securities					
Private equity	(e)	2,074,222	1,872,502	Not Eligible	N/A
Venture capital	(f)	2,117,417	795,000	Not Eligible	N/A
Absolute return strategy	(g)	5,071,182	-	Annual	75 days
Private international equity	(h)	439,115	20,000	Not Eligible	N/A
		<u>\$ 9,701,936</u>	<u>\$ 2,687,502</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.

(e) 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

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2017 and 2016**

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.

- (f) 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.
- (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 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.

Changes in assets and liabilities measured at fair value using Level 3 inputs for the years ended June 30, 2017 and 2016 are as follows:

	Charitable remainder trusts held by others	Liabilities under trusts held by others
	<u> </u>	<u> </u>
Balance as of June 30, 2015	\$ 614,710	\$ 228,922
Change in fair value	-	(3,773)
Distributions	(614,710)	-
Expenses	-	-
	<u> </u>	<u> </u>
Balance as of June 30, 2016	-	225,149
Change in fair value	-	(4,411)
Distributions	-	-
	<u> </u>	<u> </u>
Balance as of June 30, 2017	<u>\$ -</u>	<u>\$ 220,738</u>

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2017 and 2016**

Changes in fair value of non-marketable securities measured using NAV for the year ended June 30, 2017 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	\$ 9,701,936	\$ 2,074,222	\$ 2,117,417	\$ 5,071,182	\$ 439,115
Realized gains	488,066	307,737	70,561	18,268	91,500
Unrealized gains (losses)	941,364	243,465	53,497	683,747	(39,345)
Contributions	995,030	565,015	430,015	-	-
Distributions	(906,736)	(577,874)	(237,753)	-	(91,109)
Net expense	<u>(325,194)</u>	<u>(98,826)</u>	<u>(73,476)</u>	<u>(147,054)</u>	<u>(5,838)</u>
Balance, end	<u>\$ 10,894,466</u>	<u>\$ 2,513,739</u>	<u>\$ 2,360,261</u>	<u>\$ 5,626,143</u>	<u>\$ 394,323</u>

Change in fair value of non-marketable securities measured using NAV for the year ended June 30, 2016 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	\$ 9,948,535	\$ 1,811,876	\$ 2,183,166	\$ 5,489,612	\$ 463,881
Realized gains	741,464	259,583	209,030	208,945	63,906
Unrealized losses	(799,857)	(3,930)	(280,581)	(515,326)	(20)
Contributions	1,004,492	589,487	415,000	-	5
Distributions	(968,843)	(518,133)	(367,836)	-	(82,874)
Net expense	<u>(223,855)</u>	<u>(64,661)</u>	<u>(41,362)</u>	<u>(112,049)</u>	<u>(5,783)</u>
Balance, end	<u>\$ 9,701,936</u>	<u>\$ 2,074,222</u>	<u>\$ 2,117,417</u>	<u>\$ 5,071,182</u>	<u>\$ 439,115</u>

Note 10 - 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 ("CTUPMIFA"), 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 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

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2017 and 2016

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 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 2017 and 2016 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, 2017 and 2016.

Note 11 - 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 2017 and 2016 were \$356,985 and \$343,802, respectively, and are included in investments - marketable securities in the statements of financial position. The liabilities related to the split-interest agreements for 2017 and 2016 were \$220,738 and \$225,149, respectively.

During 2014, the Foundation received a gift through a charitable remainder trust, in which the Foundation did not have custody of the trust assets or have responsibility for their management. This trust was 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 at June 30, 2015. During 2016, the Foundation received a distribution of the remaining trust assets.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2017 and 2016**

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 \$17,594 and \$(30,002) for the years ended June 30, 2017 and 2016, respectively.

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

Note 12 - 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 \$5,278 for both years ended June 30, 2017 and 2016.

Note 13 - 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>2017</u>	<u>2016</u>
Beginning balance	\$ 12,221,250	\$ 14,771,327
Contributions	1,318,854	276,693
Investment return (loss)	1,693,201	(424,126)
Distributions	(1,013,101)	(2,259,544)
Administrative expenses	<u>(123,428)</u>	<u>(143,100)</u>
Ending balance	<u>\$ 14,096,776</u>	<u>\$ 12,221,250</u>

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2017 and 2016**

At June 30, 2017 and 2016, the Foundation held assets as custodian for the following:

	<u>2017</u>	<u>2016</u>
The Endowment Fund of Beth El Temple of West Hartford	\$ 4,311,435	\$ 3,846,705
Beth Alom Cemetery Association Trust	1,141,451	1,003,884
Temple Beth El of Stamford Endowment	414,656	377,121
Beth Hillel Synagogue of Bloomfield	681,865	678,734
Congregation Beth Israel	1,148,025	975,379
Hebrew Health Care Auxiliary	42,291	38,981
Hebrew Health Care Foundation	939,429	1,087,028
Joyce D. and Andrew Mandell Jewish Community Center	1,337,170	1,212,043
Jewish Community Living Auxiliary	42,805	39,466
Jewish Family Service of Greater Hartford	477,312	440,100
Jewish Historical Society of Greater Hartford	139,192	104,470
Bess and Paul Sigel Hebrew Academy	249,060	294,474
University of Connecticut Hillel	240,683	221,297
Solomon Schechter Day School	508,977	611,938
Congregation Tephareth Israel	1,362,458	1,258,130
Young Israel of West Hartford	35,588	31,500
B'nai Sholom Cemetery Fund	213,886	-
Schoke JFS Endowment Fund	802,131	-
AAA Alt Invst Market Value Adjst Custodial	8,362	-
	<u>\$ 14,096,776</u>	<u>\$ 12,221,250</u>

Note 14 - Net assets with donor restrictions

Net assets with donor restrictions as of June 30, 2017 and 2016 are \$136,247 and \$118,653, 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 11).

Note 15 - 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 a separate and distinct 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 \$1,136,822 and \$993,665 for the years ended June 30, 2017 and 2016, respectively. Outstanding grants payable to the Federation at June 30, 2017 and 2016 were \$326,921 and \$265,925, 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 \$506,000 and \$769,000 for the years ended June 30, 2017 and 2016, respectively.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2017 and 2016**

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 \$1,039,972 and \$1,239,444 for the years ended June 30, 2017 and 2016, respectively.

The Foundation has entered into a lease arrangement with the Federation for the use of office space. The lease arrangement provides for a monthly payment of \$2,941 and an annual amount for common charges (\$9,923 in 2017 and \$13,165 in 2016). 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, 2017 and 2016 was \$35,290.

Pursuant to a shared services agreement, the Federation reimbursed the Foundation at cost for specific operating expenses of \$1,152 for the year ended June 30, 2017 and the Foundation reimbursed the Federation at cost for specific operating expenses of \$1,257 for the year ended June 30, 2016.

Note 16 - 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, 2017 and 2016, the pension expense was \$37,036 and \$31,165, respectively.

Note 17 - 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 18 - 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, 2017, no amounts exceeded the 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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