

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

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

June 30, 2018 and 2017

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Financial Position
June 30, 2018 and 2017**

| | <u>Assets</u> | |
|--|----------------|----------------|
| | <u>2018</u> | <u>2017</u> |
| Assets | | |
| Cash and cash equivalents | \$ 3,704,457 | \$ 1,412,585 |
| Contributions receivable, net (Note 5) | 1,232,934 | 1,697,486 |
| Investments - marketable securities (Note 6) | 106,621,434 | 100,696,884 |
| Investments - non-marketable securities (Note 6) | 12,354,923 | 10,894,466 |
| Cash surrender value of life insurance (Note 7) | 163,977 | 130,936 |
| Other assets | 4,943 | 4,401 |
| | <hr/> | <hr/> |
| Total assets | \$ 124,082,668 | \$ 114,836,758 |
| | <hr/> | <hr/> |
| <u>Liabilities and Net Assets</u> | | |
| Liabilities | | |
| Accounts payable | \$ 39,433 | \$ 1,820 |
| Grants payable | 949,647 | 840,166 |
| Custodial funds managed for other charitable organizations (Note 12) | 15,562,727 | 14,096,776 |
| Split-interest agreements (Note 10) | 209,939 | 220,738 |
| | <hr/> | <hr/> |
| Total liabilities | 16,761,746 | 15,159,500 |
| | <hr/> | <hr/> |
| Net assets | | |
| Without donor restrictions | | |
| General-purpose funds | 30,574,825 | 29,129,462 |
| Donor-advised funds | 37,159,857 | 34,128,740 |
| Designated funds | 39,441,702 | 36,282,809 |
| | <hr/> | <hr/> |
| Total net assets without donor restrictions | 107,176,384 | 99,541,011 |
| With donor restrictions | 144,538 | 136,247 |
| | <hr/> | <hr/> |
| Total net assets | 107,320,922 | 99,677,258 |
| | <hr/> | <hr/> |
| Total liabilities and net assets | \$ 124,082,668 | \$ 114,836,758 |
| | <hr/> | <hr/> |

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Activities and Changes in Net Assets
Years Ended June 30, 2018 and 2017**

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------|----------------------|
| Change in net assets without donor restrictions | | |
| Public support and revenues | | |
| Gifts and bequests | \$ 3,517,412 | \$ 1,215,342 |
| Gifts - endowment campaign | 1,646,639 | 2,633,219 |
| Provision for loss on an uncollectible contributions | (824,592) | (890,000) |
| Investment income (Note 6) | 1,017,468 | 775,527 |
| Fee income | 145,374 | 123,429 |
| Change in cash surrender value of life insurance | 20,444 | (8,662) |
| Other revenue | 14,375 | - |
| Realized and unrealized gains on investments (Note 6) | <u>8,050,698</u> | <u>11,567,002</u> |
| Total public support and revenues | <u>13,587,818</u> | <u>15,415,857</u> |
| Grants and expenses | | |
| Grants and other distributions | 4,243,126 | 3,883,874 |
| Operating expenses | <u>1,709,319</u> | <u>1,785,723</u> |
| Total grants and expenses | <u>5,952,445</u> | <u>5,669,597</u> |
| Total change in net assets without donor restrictions | <u>7,635,373</u> | <u>9,746,260</u> |
| Change in net assets with donor restrictions | | |
| Change in value of split-interest agreements (Note 10) | <u>8,291</u> | <u>17,594</u> |
| Total change in net assets with donor restrictions | <u>8,291</u> | <u>17,594</u> |
| Total change in net assets | 7,643,664 | 9,763,854 |
| Net assets, beginning | <u>99,677,258</u> | <u>89,913,404</u> |
| Net assets, end | <u>\$ 107,320,922</u> | <u>\$ 99,677,258</u> |

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

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

| | <u>Program services</u> | <u>Management and general</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|-----------------------------------|-----------------------|-------------------------|
| 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>36,379</u> | <u>36,379</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.

**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> </u> | <u> </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.

**Statements of Cash Flows
Years Ended June 30, 2018 and 2017**

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities | | |
| Cash receipts from gifts and bequests | \$ 4,805,568 | \$ 4,406,671 |
| Investment income | 1,160,969 | 881,461 |
| Payments to employees and suppliers | (1,672,248) | (1,736,064) |
| Grants and other distributions | (4,119,270) | (3,888,292) |
| Cash receipts from fee income | <u>145,374</u> | <u>123,429</u> |
| Net cash provided by (used in) operating activities | <u>320,393</u> | <u>(212,795)</u> |
| Cash flows from investing activities | | |
| Proceeds from sales of securities | 8,095,392 | 8,095,392 |
| Purchases of securities | (6,284,378) | (9,176,512) |
| Premiums paid for life insurance | <u>(16,662)</u> | <u>(5,278)</u> |
| Net cash provided by (used in) investing activities | <u>1,794,352</u> | <u>(1,086,398)</u> |
| Cash flows from financing activities | | |
| Receipt of custodial funds held for other organizations | 950,589 | 1,318,854 |
| Distribution of custodial funds held for other organizations | <u>(773,462)</u> | <u>(1,136,529)</u> |
| Net cash provided by financing activities | <u>177,127</u> | <u>182,325</u> |
| Net increase (decrease) in cash and cash equivalents | 2,291,872 | (1,116,868) |
| Cash and cash equivalents, beginning | <u>1,412,585</u> | <u>2,529,453</u> |
| Cash and cash equivalents, end | <u>\$ 3,704,457</u> | <u>\$ 1,412,585</u> |

Jewish Community Foundation of Greater Hartford, Inc.

**Statements of Cash Flows
Years Ended June 30, 2018 and 2017**

| | 2018 | 2017 |
|--|--------------|--------------|
| Reconciliation of change in net assets to net cash provided by (used in) operating activities | | |
| Change in net assets | \$ 7,643,664 | \$ 9,763,854 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Realized and unrealized gains on investments | (8,050,698) | (11,567,002) |
| Provision for loss on an uncollectible contribution | 824,592 | 890,000 |
| Investment income on custodial funds | 143,501 | 105,934 |
| Cash surrender value of life insurance, net | (16,379) | 154,583 |
| Change in value of split-interest agreements | (8,291) | (17,594) |
| Change in pledge discount | 14,414 | (48,983) |
| Changes in operating assets and liabilities | | |
| Contributions receivable | (374,454) | 447,989 |
| Other assets | (542) | 54,360 |
| Accounts payable | 37,613 | (4,701) |
| Grants payable | 109,481 | (4,418) |
| Split-interest agreements | (2,508) | 13,183 |
| Total adjustments | (7,323,271) | (9,976,649) |
| Net cash provided by (used in) operating activities | \$ 320,393 | \$ (212,795) |

See Notes to Financial Statements.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2018 and 2017**

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 - 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, 2018 and 2017. 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, 2018 and 2017

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, 2018 and 2017.

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 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 \$2,500.

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 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.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2018 and 2017**

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, 2018 and 2017, 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.

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 2015 through 2017 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 30, 2018, 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, 2018, 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, 2018 and 2017**

Note 4 - 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, 2018 and 2017, the following financial assets are available to meet annual operating needs of the 2019 and 2018 fiscal years, respectively.

| | 2018 | 2017 |
|---|---------------|---------------|
| Cash and cash equivalents | \$ 3,704,457 | \$ 1,412,585 |
| Contributions receivable | 1,232,934 | 1,697,486 |
| Marketable securities | 106,621,434 | 100,696,884 |
| Non-marketable securities | 12,354,923 | 10,894,466 |
| Total financial assets | 123,913,748 | 114,701,421 |
| | | |
| Less amounts not available to be used within one year | | |
| Contributions receivable - due after one year, net | (898,042) | (86,559) |
| Assets held under split-interest agreements | (354,487) | (356,985) |
| Custodial funds managed for other charitable organizations | (15,562,727) | (14,096,776) |
| Donor-advised funds | (37,159,857) | (34,128,740) |
| Designated funds | (39,441,702) | (36,282,809) |
| | | |
| Financial assets available to meet general expenditures within one year | \$ 30,496,933 | \$ 29,749,552 |

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 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.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2018 and 2017**

Note 5 - 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:

| | 2018 | 2017 |
|--|--------------|--------------|
| Less than one year | \$ 334,892 | \$ 1,610,927 |
| One to five years | 939,457 | 994,060 |
| Over five years | 1,000 | 10,500 |
| | 1,275,349 | 2,615,487 |
| Less allowance for uncollectible amounts | - | 890,000 |
| Less unamortized discount (2%) | 42,415 | 28,001 |
| Total | \$ 1,232,934 | \$ 1,697,486 |

The 2017 allowance for uncollectible amounts 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 6 - Investments

The fair value of marketable securities at June 30, 2018 and 2017 is as follows:

| | 2018 | 2017 |
|-----------------------------|----------------|----------------|
| Pooled investments | | |
| Managed equity funds | \$ 85,766,286 | \$ 82,056,877 |
| Managed bond funds | 20,103,020 | 18,081,512 |
| State of Israel bonds | 749,270 | 555,498 |
| Asset-backed securities | 1,858 | 1,997 |
| Total pooled investments | 106,620,434 | 100,695,884 |
| Non-pooled investments | | |
| State of Israel bonds | 1,000 | 1,000 |
| Total marketable securities | \$ 106,621,434 | \$ 100,696,884 |

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2018 and 2017**

The fair value of non-marketable investments at June 30, 2018 and 2017 is as follows:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|--------------------------|--------------------------|
| Pooled investments | | |
| Non-marketable securities | | |
| Private equity ¹ | \$ 3,136,083 | \$ 2,513,739 |
| Venture capital | 2,907,495 | 2,360,261 |
| Absolute return strategy | 5,976,220 | 5,626,143 |
| Private International equity | <u>335,125</u> | <u>394,323</u> |
| Total non-marketable securities | <u>\$ 12,354,923</u> | <u>\$ 10,894,466</u> |

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, 2018 and 2017 is summarized as follows:

| | <u>2018</u> | <u>2017</u> |
|---|-------------------------|--------------------------|
| Interest and dividend income, net | \$ 1,160,969 | \$ 881,461 |
| Less investment returns applicable to custodial funds | <u>(143,501)</u> | <u>(105,934)</u> |
| Net investment income | <u>1,017,468</u> | <u>775,527</u> |
| Realized gains | 8,631,990 | 1,269,368 |
| Unrealized gains | 564,031 | 11,884,901 |
| Gains applicable to custodial funds | <u>(1,145,323)</u> | <u>(1,587,267)</u> |
| Net realized and unrealized gains | <u>8,050,698</u> | <u>11,567,002</u> |
| Total investment return | <u>\$ 9,068,166</u> | <u>\$ 12,342,529</u> |

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 \$163,977 and \$130,936 as of June 30, 2018 and 2017, respectively.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2018 and 2017**

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 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, 2018 and 2017.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2018 and 2017**

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 | | | | |
| Fixed income funds | 11,161,878 | | | |
| International value 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>#N/A</u> | <u>\$ -</u> | <u>\$ -</u> | <u>#N/A</u> |

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2018 and 2017**

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 | <u>1,997</u> | <u>1,997</u> | - | - |
| 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>1,000</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>#N/A</u> | <u>\$ -</u> | <u>\$ -</u> | <u>#N/A</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, 2018 and 2017.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2018 and 2017**

Investments valued using NAV at June 30, 2018 and 2017 are as follows:

| | | Fair value | Unfunded commitments | Redemption frequency (if currently eligible) | Redemption notice period |
|------------------------------|-----|----------------------|-------------------------|---|--------------------------------|
| <u>June 30, 2018</u> | | | | | |
| Marketable securities | | | | | |
| Fixed income funds | (b) | \$ 11,161,878 | \$ - | Daily - Monthly | 5 - 45 days |
| International value funds | (c) | 19,708,073 | - | Monthly | 15 days |
| Mid cap funds | (d) | 2,895,937 | - | Monthly | 10 days |
| | | <u>\$ 33,765,888</u> | <u>\$ -</u> | | |
| Non-marketable securities | | | | | |
| Private equity | (e) | \$ 3,136,083 | \$ 92,502 | Not Eligible | N/A |
| Venture capital | (f) | 2,907,495 | 2,445,000 | Not Eligible | N/A |
| Absolute return strategy | (g) | 5,976,220 | - | Annual | 75 days |
| Private international equity | (h) | 335,125 | 20,000 | Not Eligible | N/A |
| | | <u>\$ 12,354,923</u> | <u>\$ 2,557,502</u> | | |
| | | | | | |
| | | 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> | | |

(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, 2018 and 2017**

- (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 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 liabilities measured at fair value using Level 3 inputs for the years ended June 30, 2018 and 2017 are as follows:

| | <u>Liabilities under trusts held by others</u> |
|-----------------------------|--|
| Balance as of June 30, 2016 | \$ 225,149 |
| Change in fair value | <u>(4,411)</u> |
| Balance as of June 30, 2017 | 220,738 |
| Change in fair value | <u>(10,799)</u> |
| Balance as of June 30, 2018 | <u>\$ 209,939</u> |

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2018 and 2017**

Changes 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 | 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> |

Change 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 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, ending | <u>\$ 10,894,466</u> | <u>\$ 2,513,739</u> | <u>\$ 2,360,261</u> | <u>\$ 5,626,143</u> | <u>\$ 394,323</u> |

Note 9 - 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.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2018 and 2017

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 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 2018 and 2017 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.

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
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.

Assets held relating to the split-interest agreements for 2018 and 2017 were \$354,487 and \$356,985, respectively, and are included in investments - marketable securities in the statements of financial position. The liabilities related to the split-interest agreements for 2018 and 2017 were \$209,939 and \$220,738, 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 \$8,291 and \$17,594 for the years ended June 30, 2018 and 2017, 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 and \$5,278 for the years ended June 30, 2018 and 2017, respectively.

Note 12 - Custodial funds managed for other charitable organizations

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

Activity in the custodial funds was as follows:

| | <u>2018</u> | <u>2017</u> |
|-------------------------|----------------------|----------------------|
| Beginning balance | \$ 14,096,776 | \$ 12,221,250 |
| Contributions | 950,589 | 1,318,854 |
| Investment return | 1,288,824 | 1,693,201 |
| Distributions | (628,067) | (1,013,101) |
| Administrative expenses | <u>(145,395)</u> | <u>(123,428)</u> |
| Ending balance | <u>\$ 15,562,727</u> | <u>\$ 14,096,776</u> |

Jewish Community Foundation of Greater Hartford, Inc.

**Notes to Financial Statements
June 30, 2018 and 2017**

At June 30, 2018 and 2017, the Foundation held assets as custodian for the following:

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| The Endowment Fund of Beth El Temple of West Hartford | \$ 4,669,208 | \$ 4,311,435 |
| Beth Alom Cemetery Association Trust | 1,269,885 | 1,141,451 |
| Temple Beth El of Stamford Endowment | 1,039,687 | 414,656 |
| Beth Hillel Synagogue of Bloomfield | 677,061 | 681,865 |
| Congregation Beth Israel | 1,235,457 | 1,148,025 |
| Hebrew Health Care Auxiliary | 17,215 | 42,291 |
| Hebrew Health Care Foundation | 939,833 | 939,429 |
| Joyce D. and Andrew Mandell Jewish Community Center | 1,486,383 | 1,337,170 |
| Jewish Community Living Auxiliary | 44,542 | 42,805 |
| Jewish Family Service of Greater Hartford | 497,544 | 477,312 |
| Jewish Historical Society of Greater Hartford | 150,619 | 139,192 |
| Bess and Paul Sigel Hebrew Academy | 258,424 | 249,060 |
| University of Connecticut Hillel | 250,398 | 240,683 |
| Solomon Schechter Day School | 460,735 | 508,977 |
| Congregation Tephareth Israel | 1,436,462 | 1,362,458 |
| Young Israel of West Hartford | 38,505 | 35,588 |
| B'nai Sholom Cemetery Fund | 231,448 | 213,886 |
| Schoke JFS Endowment Fund | 850,758 | 802,131 |
| AAA Alt Invst Market Value Adjst Custodial | 8,563 | 8,362 |
| | <u>\$ 15,562,727</u> | <u>\$ 14,096,776</u> |

Note 13 - Net assets with donor restrictions

Net assets with donor restrictions as of June 30, 2018 and 2017 are \$144,548 and \$136,247, 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 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 \$1,219,844 and \$1,136,822 for the years ended June 30, 2018 and 2017, respectively. Outstanding grants payable to the Federation at June 30, 2018 and 2017 were \$429,105 and \$326,921, 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.

Jewish Community Foundation of Greater Hartford, Inc.

Notes to Financial Statements June 30, 2018 and 2017

Contributions received from or on behalf of individual trustees were approximately \$416,000 and \$506,000 for the years ended June 30, 2018 and 2017, respectively.

During the year, grants have been approved and disbursed to charitable organizations in which some members of the Board of Trustees may be involved through board or committee service or volunteer advisory relationships. It is the Foundation's policy to have each trustee disclose potential conflicts of interest and abstain from voting and discussion where appropriate. Community grants to those organizations, excluding the Jewish Federation of Greater Hartford ("Federation"), were \$992,470 and \$1,039,972 for the years ended June 30, 2018 and 2017, 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 (\$14,147 in 2018 and \$9,923 in 2017). 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, 2018 and 2017 was \$35,290.

Pursuant to a shared services agreement, the Federation reimbursed the Foundation at cost for specific operating expenses of \$1,290 for the year ended June 30, 2018 and the Foundation reimbursed the Federation at cost for specific operating expenses of \$1,252 for the year ended June 30, 2017.

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, 2018 and 2017, the pension expense was \$41,187 and \$37,036, 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, 2018 and 2017, 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.

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