

Jewish Federation of Greater Hartford

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

June 30, 2017 and 2016

Jewish Federation of Greater Hartford

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	4
Statements of Activities	6
Statements of Functional Expenses	8
Statements of Cash Flows	10
Notes to Financial Statements	11
Supplementary Information	
Agency Allocations	22

Independent Auditor's Report

To the Board of Directors of
Jewish Federation of Greater Hartford

We have audited the accompanying financial statements of Jewish Federation of Greater Hartford, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Federation of Greater Hartford 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion of the financial statements as a whole. The supplementary information on pages 21 and 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CohnReznick LLP

Hartford, Connecticut
October 9, 2017

Jewish Federation of Greater Hartford

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

Assets

	2017	2016
Current assets		
Cash and cash equivalents	\$ 1,603,418	\$ 1,139,115
Pledges receivable - annual campaign, net of allowance of \$265,745 and \$247,168	1,944,628	2,113,074
Pledges receivable - special campaigns	79,236	96,638
Investments (Note 2)	7,195	6,429
Due from Jewish Community Foundation	208,082	247,456
Other current assets	36,171	130,595
Prepaid expenses and advance allocations	110,155	171,373
Total current assets	3,988,885	3,904,680
Property and equipment, at cost		
Building and land improvements	7,226,282	7,202,867
Equipment and furniture	767,575	764,679
	7,993,857	7,967,546
Less accumulated depreciation	(3,464,718)	(3,209,414)
Total property and equipment, net	4,529,139	4,758,132
Other asset		
Assets held in charitable remainder trust (Note 8)	32,518	30,877
	32,518	30,877
 Total	 \$ 8,550,542	 \$ 8,693,689

Jewish Federation of Greater Hartford

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

Liabilities and Net Assets

	2017	2016
Current liabilities		
Allocations payable - local agencies	\$ 1,627,928	\$ 1,547,878
Allocations payable - The Jewish Federations of North America	762,477	980,077
Accounts payable and accrued expenses	215,484	372,000
Other liabilities	28,785	26,597
Total current liabilities	2,634,674	2,926,552
Noncurrent liability		
Liability under charitable remainder trust (Note 8)	3,575	7,075
	3,575	7,075
Total liabilities	2,638,249	2,933,627
Net assets		
Unrestricted - undesignated	833,465	362,199
Unrestricted - board designated (Note 7)	77,361	77,361
Unrestricted - building	4,569,828	4,806,712
Total unrestricted net assets	5,480,654	5,246,272
Temporarily restricted		
Time and purpose restricted (Note 13)	431,639	513,790
Total net assets	5,912,293	5,760,062
Total	\$ 8,550,542	\$ 8,693,689

See Notes to Financial Statements.

Jewish Federation of Greater Hartford

**Statements of Activities
Years Ended June 30, 2017 and 2016**

	2017	2016
Changes in unrestricted net assets		
Public support		
Annual campaign (Note 14)	\$ 4,262,695	\$ 4,270,816
Special campaign	-	100
Bequests to Federation transferred to Jewish Community Foundation	16,000	15,000
Designated gifts	474,940	1,741,761
Other support	125,006	155,298
	4,878,641	6,182,975
Revenue		
Investment income	3,287	1,378
Change in value of charitable remainder trusts	3,995	(1,232)
	7,282	146
Total public support and revenue	4,885,923	6,183,121
Net assets released from restrictions - satisfaction of restriction (Note 13)	359,106	216,006
Total unrestricted support and revenue	5,245,029	6,399,127
Allocations and expenses		
Local agencies - annual campaign	1,395,839	1,539,079
Local agencies - designated gifts	468,680	1,956,321
The Jewish Federations of North America - annual	572,400	578,038
The Jewish Federations of North America - special campaign	-	3,472
Dues	6,618	7,461
Bequests to Federation transferred to Jewish Community Foundation	16,000	15,000
	2,459,537	4,099,371
Functional expenses		
Campaign expenses	453,809	480,327
Community services	1,794,590	1,756,773
Administration and general	245,090	259,082
	2,493,489	2,496,182
Total expenses	4,953,026	6,595,553
Increase (decrease) in unrestricted net assets before other expenses	292,003	(196,426)

Jewish Federation of Greater Hartford

**Statements of Activities
Years Ended June 30, 2017 and 2016**

	2017	2016
Increase (decrease) in unrestricted net assets before other expenses	\$ 292,003	\$ (196,426)
Other expenses		
Bad debt expense	(57,245)	(108,809)
Interest expense	(376)	-
	(57,621)	(108,809)
Increase (decrease) in unrestricted net assets	234,382	(305,235)
Changes in temporarily restricted net assets		
Annual campaign revenue raised for subsequent fiscal year	150,701	130,218
Literacy program / JCRC	171,932	74,054
PJ's Library	1,192	89,834
Special campaigns	5,255	26,478
Sponsorship for future events	11,000	1,500
Commission on Jewish education and leadership programs	10,000	6,170
Jessie's Garden	8,630	11,755
Designated gifts	393,185	1,741,076
	751,895	2,081,085
Net assets released from restrictions - satisfaction of restrictions (Note 13)	(834,046)	(1,957,767)
Increase (decrease) in temporarily restricted net assets	(82,151)	123,318
Change in net assets	152,231	(181,917)
Net assets, beginning	5,760,062	5,941,979
Net assets, end	\$ 5,912,293	\$ 5,760,062

See Notes to Financial Statements.

Jewish Federation of Greater Hartford

Statement of Functional Expenses
Year Ended June 30, 2017
(with Comparative Totals for 2016)

	Campaign expenses			Community services					2017 Total	2016 Total
	Annual campaign	Financial resource development	Outreach and education	Planning and allocation	Communication, marketing and public relations	Federation services	Administration and general			
Wages	\$ 162,177	\$ 18,019	\$ 180,196	\$ 58,803	\$ 114,987	\$ 594,566	\$ 154,580	\$ 1,283,328	\$ 1,219,283	
Employee benefits	35,726	3,969	39,695	13,964	21,048	141,200	35,984	291,586	262,811	
Direct campaign expenses (Note 5)	69,501	-	69,501	-	-	-	-	139,002	154,540	
Occupancy	20,089	5,479	16,437	10,958	6,392	24,655	7,305	91,315	84,339	
Publicity/marketing	5,662	-	3,397	-	12,458	1,132	-	22,649	26,102	
Data processing	15,936	3,064	4,596	2,145	1,838	1,532	1,532	30,643	28,960	
Professional fees	-	-	-	-	-	-	23,499	23,499	25,000	
Credit card fees (Note 5)	11,254	-	11,254	-	-	-	-	22,508	24,316	
Conferences and training	2,370	1,474	632	263	263	210	52	5,264	18,442	
Telephone	5,670	87	1,046	348	523	697	348	8,719	8,734	
Office supplies	5,197	259	1,559	389	1,299	3,638	649	12,990	11,713	
Missions (Note 5)	6,648	-	6,648	-	-	-	-	13,296	14,052	
Annual meeting	1,932	-	483	-	2,415	-	-	4,830	5,178	
Stationery and printing	326	-	111	19	130	32	32	650	5,964	
Depreciation	56,166	15,318	45,954	30,636	17,871	68,932	20,424	255,301	255,881	
Postage	2,514	-	657	116	193	309	77	3,866	3,358	
Insurance	1,578	430	1,291	860	502	1,937	573	7,171	8,629	
Committee expenses	615	153	769	1,077	307	153	-	3,074	6,772	
Recruiting/relocation	137	45	68	45	87	68	4	454	14,090	
Awards and subscriptions	105	-	26	-	131	-	-	262	220	
Program expenses	-	-	-	-	-	270,179	-	270,179	315,545	
Miscellaneous	1,786	123	266	263	263	171	31	2,903	2,253	
2017 Total	\$ 405,389	\$ 48,420	\$ 384,586	\$ 119,886	\$ 180,707	\$ 1,109,411	\$ 245,090	\$ 2,493,489	\$ 2,496,182	
2016 Total	\$ 428,011	\$ 52,316	\$ 403,460	\$ 120,359	\$ 117,597	\$ 1,115,357	\$ 259,082	\$ 2,496,182		

See Notes to Financial Statements.

Jewish Federation of Greater Hartford
Statement of Functional Expenses
Year Ended June 30, 2016

	Campaign expenses		Community services					Total
	Annual campaign	Financial resource development	Outreach and education	Planning and allocation	Communication, marketing and public relations	Federation services	Administration and general	
Wages	\$ 168,594	\$ 18,733	\$ 187,326	\$ 55,664	\$ 60,426	\$ 562,827	\$ 165,713	\$ 1,219,283
Employee benefits	32,854	3,650	36,504	12,986	8,871	131,301	36,645	262,811
Direct campaign expenses (Note 5)	77,270	-	77,270	-	-	-	-	154,540
Occupancy	18,555	5,060	15,181	10,121	5,904	22,771	6,747	84,339
Publicity/marketing	6,526	-	3,915	-	14,356	1,305	-	26,102
Data processing	15,059	2,896	4,344	2,027	1,738	1,448	1,448	28,960
Professional fees	-	-	-	-	-	-	25,000	25,000
Credit card fees (Note 5)	12,158	-	12,158	-	-	-	-	24,316
Conferences and training	8,299	5,164	2,213	922	922	738	184	18,442
Telephone	5,678	87	1,048	349	524	699	349	8,734
Office supplies	4,686	233	1,406	350	1,172	3,280	586	11,713
Missions (Note 5)	7,026	-	7,026	-	-	-	-	14,052
Annual meeting	2,071	-	518	-	2,589	-	-	5,178
Stationery and printing	2,982	-	1,014	179	1,193	298	298	5,964
Depreciation	56,294	15,353	46,058	30,706	17,912	69,088	20,470	255,881
Postage	2,182	-	571	101	168	269	67	3,358
Insurance	1,898	518	1,553	1,036	604	2,330	690	8,629
Committee expenses	1,354	339	1,693	2,370	677	-	339	6,772
Recruiting/relocation	3,222	170	3,392	3,300	183	3,300	523	14,090
Awards and subscriptions	88	-	22	-	110	-	-	220
Program expenses	-	-	-	-	-	315,545	-	315,545
Miscellaneous	1,215	113	248	248	248	158	23	2,253
Total	\$ 428,011	\$ 52,316	\$ 403,460	\$ 120,359	\$ 117,597	\$ 1,115,357	\$ 259,082	\$ 2,496,182

See Notes to Financial Statements.

Jewish Federation of Greater Hartford

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

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 152,231	\$ (181,917)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Unrealized gain on investments	(895)	(7)
Depreciation	255,304	255,881
Bad debt expense	57,245	108,809
Change in value of charitable remainder trust	(3,995)	1,232
Change in operating assets and liabilities		
Pledges receivable - annual and special campaigns, net	128,603	(151,358)
Due from Jewish Community Foundation	39,374	(79,461)
Other current assets	94,424	(34,514)
Prepaid expenses and advance allocations	61,218	(89,568)
Assets held in charitable remainder trust	(1,146)	-
Allocations payable	(137,550)	90,188
Accounts payable and accrued expenses	(156,516)	18,734
Other liabilities	2,188	1,369
Net cash provided by (used in) operating activities	490,485	(60,612)
Cash flows from investing activities		
Acquisition of equipment and furniture	(26,311)	(1,119)
Sale (purchase) of investments	129	(256)
Proceeds from redemption of bonds	-	500
Net cash used in investing activities	(26,182)	(875)
Net increase (decrease) in cash and cash equivalents	464,303	(61,487)
Cash and cash equivalents, beginning	1,139,115	1,200,602
Cash and cash equivalents, end	\$ 1,603,418	\$ 1,139,115
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 376	\$ -

See Notes to Financial Statements.

Jewish Federation of Greater Hartford

Notes to Financial Statements June 30, 2017 and 2016

Note 1 - Organization and summary of significant accounting policies

Organization

Jewish Federation of Greater Hartford (the "Federation") is a community-based nonprofit organization whose purpose is to raise funds for the support of local, national and overseas Jewish philanthropic programs and agencies; to enrich the educational, cultural and social life of the Greater Hartford Jewish community; to provide for central planning, coordination and administration of local Jewish communal services; to safeguard and defend the civic, economic and religious rights of the Jewish people; to represent the Jewish community in interfaith and intergroup activities; and to maintain links with the Jewish people of Israel and in every other part of the world.

Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Federation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted - Net assets whose use by the Federation is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Federation or that expire by the passage of time.

Permanently restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Federation and stipulate the use of income and/or appreciation as temporarily restricted based on donor imposed stipulations or by operation of law. At June 30, 2017 and 2016, the Federation had no permanently restricted net assets.

Property and equipment

The Federation capitalizes all expenditures for property and equipment that are in excess of \$1,000 and have a useful life greater than three years. Purchased property and equipment are carried at cost. Donated property and equipment used in operations are recorded at the approximate fair value at the date of donation. Collection items are expensed in period acquired. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated lives for financial reporting purposes are as follows:

Asset	Estimated lives
Building	30 years
Equipment and furniture	5 years
Land Improvements	5 - 15 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

Concentrations of credit risk

Financial instruments that potentially subject the Federation to concentrations of credit risk consist principally of cash and cash equivalents and pledges receivable. The Federation maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured

Jewish Federation of Greater Hartford

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

limits. The Federation has not experienced any losses in such accounts. As of June 30, 2017, the Federation had approximately \$793,000 of cash and cash equivalents in excess of federally insured limits.

Pledges receivable are due from individuals, families and companies located primarily in the Greater Hartford Area. The concentration of credit risk is reduced due to the large number of contributors to the Federation. At June 30, 2017 and 2016, pledges receivable are as follows:

<u>2017</u>	<u>Gross</u>	<u>Cumulative allowance</u>	<u>Net</u>
Annual campaign	\$ 2,210,373	\$ 265,745	\$ 1,944,628
Special campaigns	79,236	-	79,236
Total	<u>\$ 2,289,609</u>	<u>\$ 265,745</u>	<u>\$ 2,023,864</u>
<u>2016</u>	<u>Gross</u>	<u>Cumulative allowance</u>	<u>Net</u>
Annual campaign	\$ 2,360,242	\$ 247,168	\$ 2,113,074
Special campaigns	96,638	-	96,638
Total	<u>\$ 2,456,880</u>	<u>\$ 247,168</u>	<u>\$ 2,209,712</u>

Revenue recognition

Unconditional promises to give are recorded as pledges receivable when the promise is received. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Pledges received in the current year for next year's annual campaign are recorded as temporarily (time) restricted contributions. The contributions are reclassified to unrestricted net assets in the year they are used to fund allocations paid to Jewish philanthropic agencies.

From time to time, certain donors contribute cash or stocks that are designated for specific Jewish and other philanthropic agencies. Designated gifts are recorded when they are designated by the donors.

Allowances are provided for amounts estimated to be uncollectible and are based upon several factors, the principal one of which is the Federation's experience with pledge collections. Pledges considered uncollectible are charged against such allowance.

Grants are recorded as receivables in the year the commitment is made by the grantor. Grants and other support received and expended in the same period are recorded as unrestricted revenue and support. Restricted grants designated by the grantor for specific operating purposes, endowment or property acquisitions are recorded as temporarily restricted revenue and support and reclassified to unrestricted revenue and support when the Federation has expended funds which meet the specific restrictions. Unexpended amounts are classified as temporarily restricted net assets in the

Jewish Federation of Greater Hartford

Notes to Financial Statements June 30, 2017 and 2016

accompanying statements of financial position. Grants due from the Jewish Community Foundation of Greater Hartford (the "Foundation") at June 30, 2017 and 2016 were \$208,082 and \$247,456 respectively. Other support includes Jewish Community Foundation grants, workshop revenue, investment income and other foundations support.

Agency allocations

Before the end of each fiscal year, the Board of Directors determines the allocations that will be paid in the subsequent fiscal year to national and local agencies and The Jewish Federations of North America. Since the commitment is made prior to the end of the fiscal year, the allocations are accrued and expensed. The allocation methodology used focuses on specific programmatic needs.

Any difference between the amount accrued and expensed in the current fiscal year and actually paid in the subsequent year is recognized as an adjustment to allocation expense in the subsequent fiscal year. In fiscal years ended June 30, 2017 and 2016, allocations paid in excess of the accrued amount totaled \$2,851 and \$5,123, respectively.

Investments

The Federation reports investments at their current fair values and reflects any gains or losses in the statements of activities. Gains and losses are considered unrestricted unless restricted by donor stipulation or by operation of law.

Income taxes

The Federation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

The Federation has no unrecognized tax benefits at June 30, 2017 and 2016. The Federation's U.S. federal information and state returns prior to fiscal year 2014 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax laws and new authoritative rulings.

Cash and cash equivalents

For purposes of the statements of cash flows, the Federation considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. At June 30, 2017 and 2016, cash equivalents, not including cash of \$404,353 and \$326,393, respectively, were \$1,199,065 and \$812,722, respectively.

Donated services

Numerous volunteers have donated significant amounts of time to the Federation's activities. Voluntary services include helping to set agency policy, fundraising, oversight of fiscal and operational matters, representation of the Federation at Jewish and general community events and in the media, assistance with the development of Federation programs and projects and feedback to the Federation about community needs and interests. Volunteers also actively participate in hands-on activities such as Children's Reading Partners, Interfaith Relationship Building and community wide volunteer activities. The value of this contributed time is not reflected in the accompanying financial statements as the volunteer services provided do not meet the criteria to be recorded under generally accepted accounting principles.

Jewish Federation of Greater Hartford

Notes to Financial Statements June 30, 2017 and 2016

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Gifts of long-lived assets

The Federation reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the entity reports expirations of donor restrictions of acquired long-lived assets when placed in service.

Subsequent events

The Federation has evaluated events and transactions for potential recognition or disclosure through October 9, 2017, which is the date the financial statements were available to be issued.

Note 2 - Investments

The fair value and cost or original acquisition value of investments as of June 30, 2017 and 2016 are as follows:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Equities - stocks	\$ 2,149	\$ 3,495	\$ 2,278	\$ 2,729
State of Israel bonds	3,700	3,700	3,700	3,700
	<u>\$ 5,849</u>	<u>\$ 7,195</u>	<u>\$ 5,978</u>	<u>\$ 6,429</u>

Note 3 - Retirement plan

The Federation maintains a Section 403(b) Defined Contribution Plan. The Federation matches each employee's contribution up to a maximum of 4% of compensation. Eligible employees receive a match after one year of employment if they work a minimum of 1,000 service hours in the plan year. Employer contributions are fully vested upon contribution to the individual's custodial accounts. For 2017 and 2016, contribution expense of \$30,776 and \$30,044, respectively, was included in employee benefits in the statements of functional expenses.

Note 4 - Lease commitments

The Federation resides in the Harry and Jeannette Weinberg Community Services Building. The Community Services Building is owned by the Federation and it rents space to the Jewish Family Services, Jewish Historical Society, and the Jewish Community Foundation of Greater Hartford. The Federation expects to receive annual lease payments of approximately \$79,470 through June 2017.

The Federation also rents certain office equipment under noncancelable operating leases expiring at various times through February 2019. The total rental expense included in operating expenses during 2017 and 2016 was \$20,592 and \$20,176, respectively.

Jewish Federation of Greater Hartford

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

Minimum future rental payments related to office equipment under noncancelable operating leases are as follows:

2018	\$	21,384
2019		700
	<u>\$</u>	<u>22,084</u>

Note 5 - Allocation of joint costs

In 2017 and 2016, the Federation incurred joint costs of \$663,067 and \$690,879, respectively, for informational materials and activities that included fundraising appeals. Joint costs are expenses that benefit multiple purposes including fundraising components, as well as program components. Joint costs are as follows:

	2017	2016
Annual campaign	\$ 405,389	\$ 428,011
Financial resource development	48,420	52,316
Outreach and education expenses	384,586	403,460
Campaign and education expenses	838,395	883,787
Less direct costs		
Direct campaign expenses	(139,002)	(154,540)
Credit card fees	(22,508)	(24,316)
Missions	(13,296)	(14,052)
Total joint costs	<u>\$ 663,589</u>	<u>\$ 690,879</u>

Note 6 - Related party transactions - Board members

Every two years, the Federation requires each Board member to complete a "Conflict of Interest" disclosure. These disclosures are reviewed and monitored by management who take appropriate steps to inform the board of prohibited transactions between the Federation and Board members. The Board of Directors consists of 30 individuals. Certain Board members of the Federation also may serve on boards that receive allocations. In addition, certain board members serve on the board of a funding organization, the Jewish Community Foundation of Greater Hartford. The Federation may procure certain services from companies which are owned or affiliated with certain Board members.

Jewish Federation of Greater Hartford

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

Note 7 - Board-designated net assets

The Board of Directors has approved spending of accumulated prior year unrestricted net assets. The following is a summary of the amounts allocated and paid:

	<u>Total board designated allocations</u>	<u>Paid prior to year ended June 30, 2017</u>	<u>Balance at June 30, 2017</u>	<u>Balance at June 30, 2016</u>
Computer network replacement reserves	\$ 179,500	\$ 168,805	\$ 10,695	\$ 10,695
Capital replacement	<u>66,666</u>	<u>-</u>	<u>66,666</u>	<u>66,666</u>
Total Board-designated unrestricted net assets	<u>\$ 246,166</u>	<u>\$ 168,805</u>	<u>\$ 77,361</u>	<u>\$ 77,361</u>

Note 8 - Charitable remainder trust

The Federation is the trustee of a trust that is administered by the Foundation. This charitable remainder trust provides for the payment of distributions to the grantor or designated beneficiaries over the trust's term. At the end of the trust's term, the remaining assets, if any, are available for the Federation's use. The portion of the trust attributable to the future interest of the Federation was recorded in the statements of activities as a contribution in the period the trust was established. Assets held in this charitable remainder trust are recorded at fair value in the Federation's statements of financial position. On an annual basis, the Federation revalues the liability to make distributions to the designated beneficiary based on the current actuarial assumptions. The present value of the estimated future payments was calculated using a discount rate of 8.4% and applicable mortality tables.

The total fair value of charitable remainder trust as of June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Charitable remainder trust held by the Federation	<u>\$ 32,518</u>	<u>\$ 30,877</u>
Liability under charitable remainder trust	<u>\$ 3,575</u>	<u>\$ 7,075</u>

Note 9 - Fair value measurements

The Federation 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 prioritizes observable and unobservable inputs 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.

Jewish Federation of Greater Hartford

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

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 an asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

In determining fair value, the Federation 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 Federation's financial assets measured at fair value at June 30, 2017 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
State of Israel bonds	\$ -	\$ 3,700	\$ -	\$ 3,700
Equities - stocks	3,495	-	-	3,495
Charitable remainder trust	-	32,518	-	32,518
Total assets at fair value	<u>\$ 3,495</u>	<u>\$ 36,218</u>	<u>\$ -</u>	<u>\$ 39,713</u>

The Federation's financial assets measured at fair value at June 30, 2016 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
State of Israel bonds	\$ -	\$ 3,700	\$ -	\$ 3,700
Equities - stocks	2,729	-	-	2,729
Charitable remainder trust	-	30,877	-	30,877
Total assets at fair value	<u>\$ 2,729</u>	<u>\$ 34,577</u>	<u>\$ -</u>	<u>\$ 37,306</u>

Investments in stocks are valued at the daily closing price as reported by the fund at the end of the fiscal year (level 1). State of Israel bonds and charitable remainder trusts (invested in bonds) for which the Federation is the trustee are designated as level 2 instruments and valuations are obtained from readily-available pricing sources for comparable instruments. There were no changes in valuation techniques during fiscal years 2017 and 2016.

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

	2017	2016
Dividend income	\$ 162	\$ 233
Unrealized gain	895	7
Investment income	<u>\$ 1,057</u>	<u>\$ 240</u>

Jewish Federation of Greater Hartford

Notes to Financial Statements June 30, 2017 and 2016

Note 10 - Line of credit

The Federation has a \$500,000 two-year operating line of credit. This line is secured by all business assets, including all campaign pledges. Interest is computed at LIBOR plus 225 basis points with a minimum floor interest rate of 3.50%. (Effective rate - 3.50% at June 30, 2017). Repayment terms are monthly interest only with principal due at maturity. The line expires March 27, 2019.

Under the terms of the line, the Federation is subject to certain restrictive covenants which require, among other things, the maintenance of certain financial ratios. The Federation was in compliance with those financial ratio covenants as of June 30, 2017 and 2016.

Note 11 - Assets held by a nonprofit organization for the benefit of another organization

The Foundation follows the United States Treasury regulations for community foundations which require community foundations to have restricted variance power over the funds it administers. Although the variance power the Foundation can exercise is very restrictive (e.g. the Foundation can redirect the use of funds if the Federation ceases operations or substantially changes its operations), it meets the variance power requirements of Accounting Standards Codification ("ASC") 958-605, *Revenue Recognition*. Accordingly, these assets are not allowed to be recorded in the Federation's financial statements.

ACS 958-605 requires assets held by an organization for the benefit of another organization to be recognized in the financial statements of the beneficiary organization. However, if variance power is granted to the recipient organization, the requirements of ASC 958-605 will not have to be followed. Variance power means the donor has granted the recipient organization authority to redirect the use of the assets donated.

Presently, the Foundation administers PACE/LOJE and testamentary funds, which were originally donated for the benefit of the Federation. In addition, a capital expenditure fund was created with contributions in prior years from both the Federation and the Foundation to help meet the ongoing capital maintenance and major equipment needs of Federation beneficiary agencies. A committee consisting of Federation and Foundation representatives is responsible for reviewing capital maintenance and equipment funding requests, making grant recommendations to the Executive Committees of both organizations and overseeing the administration of the grants.

Funds administered by the Foundation for the benefit of the Federation as of June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
PACE/LOJE	\$ 6,432,098	\$ 5,706,556
Testamentary gifts	4,028,325	3,844,261
Capital expenditure fund	1,457,309	1,328,312
	<u>\$ 11,917,732</u>	<u>\$ 10,879,129</u>

Jewish Federation of Greater Hartford

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

Note 12 - Compensated absences

Employees of the Federation are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. The Federation's policy is to recognize the costs of compensated absences when actually paid to employees. The Federation has a policy of allowing a carryover of unused vacation time until August of the following fiscal year. The liability at June 30, 2017 and 2016 is immaterial to the financial statements.

Note 13 - Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2017 and 2016 are restricted for the following:

	2017	2016
Donor Restricted for designated gifts	\$ 97,994	\$ 102,249
PJ's Library Campaign	64,444	94,746
Special Campaign	10,254	26,478
Sponsorships for future events	11,000	1,500
Scholarship programs	-	102,500
Next fiscal year annual campaign	85,141	67,488
JCRC / Literacy Program	123,655	95,384
Commission on Jewish Education and Leadership Programs	16,622	9,545
Jessie's Garden	22,529	13,900
	\$ 431,639	\$ 513,790

Temporarily restricted net assets released from restrictions as of June 30, 2017 and 2016 were as follows:

	2017	2016
Time restricted contributions	\$ 133,048	\$ 62,401
Commission on Jewish Education and Leadership Programs	2,923	10,420
Scholarship Programs	25,000	17,500
JCRC / Literacy Program	143,661	36,804
Special Campaign	21,479	47,430
Jessie's Garden	1	1,907
PJ's Library Campaign	31,494	29,044
Sponsorships for future events	1,500	10,500
Total released from restriction	359,106	216,006
Designated gifts	474,940	1,741,761
	\$ 834,046	\$ 1,957,767

Jewish Federation of Greater Hartford

Notes to Financial Statements
June 30, 2017 and 2016

Note 14 - Pledges - annual campaign

A reconciliation of total funds raised in each annual campaign is as follows:

	<u>2017</u>	<u>2016</u>
Annual campaign - unrestricted current year	\$ 3,962,109	\$ 4,084,232
Annual campaign - unrestricted prior year	<u>300,586</u>	<u>186,584</u>
	4,262,695	4,270,816
Annual campaign - released from time restriction	<u>204,556</u>	<u>62,401</u>
	<u>\$ 4,467,251</u>	<u>\$ 4,333,217</u>

Supplementary Information

Jewish Federation of Greater Hartford

Agency Allocations June 30, 2017 and 2016

	2017	2016
Local agencies and services		
Association of Jewish Cemeteries	\$ 85,280	\$ 85,618
B'nai B'rith Youth Organization	10,000	5,000
Bess and Paul Sigel Hebrew Academy Day School	113,693	-
Beth Israel	10,000	3,835
Birtheright Israel	20,000	20,000
Birtheright Alumni	3,000	-
Campership Program	15,311	51,000
CRT Nutrition Sites	-	4,000
Day School per Capita	-	394,663
Engagement and Outreach	7,688	7,312
Greenberg Center	2,000	1,000
Hebrew High School of New England	60,430	-
Hebrew Home and Hospital - Jewish Values	-	135,000
Israel Action Network	5,794	5,975
Israel @70 Collaboration	19,078	-
Israel Programming	43,000	30,000
Jewish Association for Community Living	16,000	16,000
Jewish Association for Community Living - Core Services	5,000	3,500
Jewish Family Services of Greater Hartford - Child Services	45,000	40,000
Jewish Family Services of Greater Hartford - Holocaust Program	28,500	28,500
Jewish Family Services of Greater Hartford - JETS	8,000	8,000
Jewish Family Services of Greater Hartford - Kosher Food Pantry	7,500	10,000
Jewish Family Services of Greater Hartford - Older Adult Services	140,000	140,000
Jewish Family Services of Greater Hartford - Rent Subsidy	8,000	19,000
Jewish Family Services of Greater Hartford - Special Needs Programming	16,500	6,500
Jewish Family Services of Greater Hartford - Volunteer Program	10,000	10,000
Jewish Federation Association of Connecticut	30,939	30,983
Jewish Historical Society of Greater Hartford	10,000	10,500
Jewish Historical Society of Greater Hartford - Rent Subsidy	9,000	6,000
Jewish Teen Learning Connection - Scholars	4,000	4,000
Jewish Teen Learning Connection - Central/ Awakening	29,500	29,500
Jewish Teen Learning Connection - WOW	28,000	28,000
Manchester Advisory	17,000	17,000
Mandell Jewish Community Center - Camp & Youth	50,000	63,000
Mandell Jewish Community Center - Early Childhood	27,500	27,500
Mandell Jewish Community Center - Family Room	55,000	55,000
Mandell Jewish Community Center - Israel Programming	25,000	25,000
Mandell Jewish Community Center - JCC in the Valley	8,000	-
Mandell Jewish Community Center - Jewish Arts & Culture	45,000	58,000
Mandell Jewish Community Center - Jewish Engagement	18,000	18,000
Mandell Jewish Community Center - Seniors	20,000	20,000
Mandell Jewish Community Center - Special Needs	3,900	3,900
Mikveh Bess Israel	1,500	1,500
Moishe House	-	13,000
NCSY / Young Isreal	3,000	-
Presidential Fund for New and Innovative Projects	-	20,000
Social Commitment	60,191	-
Solomon Schechter Day School	187,322	-
Travel to Israel	1,500	5,000
Trinity College Hillel - Shabbat & Jewish Holidays	3,000	3,150
University of Connecticut Hillel - Isreal	9,877	-
University of Connecticut Hillel - Shabbat & Jewish Holidays	19,000	25,000
University of Connecticut Hillel - Judiac Studies	5,000	5,000
University of Hartford Hillel - Student Leadership Development	39,935	21,270
University of Hartford Hillel - Holiday Celebrations	-	18,750
USY (Hanefesh)	2,050	-
Subtotal	<u>1,392,988</u>	<u>1,533,956</u>

Jewish Federation of Greater Hartford

**Agency Allocations
June 30, 2017 and 2016**

	2017	2016
Local agencies and services subtotal	\$ 1,392,988	\$ 1,533,956
Prior year allocation and adjustments		
Allocations accrued as of the end of the previous year	1,392,988	(1,379,337)
Allocations paid and recognized	(1,390,137)	1,384,460
Total local agencies and services	1,395,839	1,539,079
Overseas agencies		
The Jewish Federations of North America - annual campaign	572,400	578,038
The Jewish Federations of North America - special campaigns	-	3,472
Total Overseas agencies	572,400	581,510
 Total allocations	 \$ 1,968,239	 \$ 2,120,589