

**Jewish Federation of Greater Hartford**

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

**June 30, 2018 and 2017**

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**COHN  REZNICK**  
ACCOUNTING • TAX • ADVISORY

# Jewish Federation of Greater Hartford

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## Independent Auditor's Report

To the Board of Directors  
Jewish Federation of Greater Hartford

We have audited the accompanying financial statements of Jewish Federation of Greater Hartford (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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, 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.

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  
September 27, 2018

**Jewish Federation of Greater Hartford**

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

	<u>Assets</u>	
	2018	2017
Current assets		
Cash and cash equivalents	\$ 1,845,595	\$ 1,603,418
Promises to give - annual campaign, net of allowance of \$255,745 and \$265,745	1,660,164	1,944,628
Promises to give - special campaigns	99,351	79,236
Investments (Note 2)	6,727	7,195
Due from Jewish Community Foundation	258,541	208,082
Other current assets	58,383	36,171
Prepaid expenses and advance allocations	106,685	110,155
	<u>4,035,446</u>	<u>3,988,885</u>
Property and equipment, at cost		
Building and improvements	7,229,347	7,226,282
Equipment and furniture	767,575	767,575
	<u>7,996,922</u>	<u>7,993,857</u>
Less accumulated depreciation	<u>(3,715,289)</u>	<u>(3,464,718)</u>
	<u>4,281,633</u>	<u>4,529,139</u>
Other asset		
Assets held in charitable remainder trust (Note 8)	31,590	32,518
	<u>31,590</u>	<u>32,518</u>
<b>Total</b>	<b>\$ 8,348,669</b>	<b>\$ 8,550,542</b>

**Jewish Federation of Greater Hartford**

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

Liabilities and Net Assets

	2018	2017
Current liabilities		
Allocations payable - local agencies	\$ 1,565,243	\$ 1,627,928
Allocations payable - The Jewish Federations of North America	620,776	762,477
Accounts payable and accrued expenses	279,824	215,484
Other liabilities	28,130	28,785
Total current liabilities	2,493,973	2,634,674
Noncurrent liability		
Liability under charitable remainder trust (Note 8)	6,558	3,575
Total liabilities	2,500,531	2,638,249
Net assets		
Unrestricted - undesignated	917,041	833,465
Unrestricted - board designated (Note 7)	77,361	77,361
Unrestricted - building	4,332,944	4,569,828
Total unrestricted net assets	5,327,346	5,480,654
Temporarily restricted		
Time and purpose restricted (Note 12)	520,792	431,639
Total net assets	5,848,138	5,912,293
Total	\$ 8,348,669	\$ 8,550,542

See Notes to Financial Statements.

**Jewish Federation of Greater Hartford**

**Statements of Activities  
Years Ended June 30, 2018 and 2017**

	2018	2017
Changes in unrestricted net assets		
Public support		
Annual campaign (Note 13)	\$ 4,161,750	\$ 4,262,695
Bequests to Federation transferred to Jewish Community Foundation	83,354	16,000
Designated gifts	84,461	474,940
Other support	117,715	125,006
	4,447,280	4,878,641
Revenue		
Investment income	11,193	3,287
Change in value of charitable remainder trusts	(3,911)	3,995
	7,282	7,282
Total public support and revenue	4,454,562	4,885,923
Net assets released from restrictions - satisfaction of restriction (Note 12)	278,339	359,106
Total unrestricted support and revenue	4,732,901	5,245,029
Allocations and expenses		
Local agencies - annual campaign	1,427,806	1,395,839
Local agencies - designated gifts	317,665	468,680
The Jewish Federations of North America - annual	567,239	572,400
Dues	9,999	6,618
Bequests to Federation transferred to Jewish Community Foundation	83,354	16,000
	2,406,063	2,459,537
Functional expenses		
Campaign expenses	409,740	453,809
Community services	1,769,597	1,794,590
Administration and general	263,401	245,090
	2,442,738	2,493,489
Total expenses	4,848,801	4,953,026
Increase (decrease) in unrestricted net assets before other expenses	(115,900)	292,003

**Jewish Federation of Greater Hartford**

**Statements of Activities  
Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Other expenses		
Bad debt expense	(37,408)	(57,245)
Interest expense	-	(376)
	<u>(37,408)</u>	<u>(57,621)</u>
Increase (decrease) in unrestricted net assets	<u>(153,308)</u>	<u>234,382</u>
Changes in temporarily restricted net assets		
Annual campaign revenue raised for subsequent fiscal year	134,968	155,956
Literacy program / JCRC	94,212	171,932
PJ Library	1,800	1,192
Sponsorship for future events	58,575	11,000
Commission on Jewish Education and Leadership Programs	61,996	10,000
Jessie's Garden	3,650	8,630
Designated gifts	12,291	393,185
	<u>367,492</u>	<u>751,895</u>
Net assets released from restrictions - satisfaction of restrictions (Note 12)	<u>(278,339)</u>	<u>(834,046)</u>
Increase (decrease) in temporarily restricted net assets	<u>89,153</u>	<u>(82,151)</u>
Change in net assets	(64,155)	152,231
Net assets, beginning	<u>5,912,293</u>	<u>5,760,062</u>
Net assets, end	<u>\$ 5,848,138</u>	<u>\$ 5,912,293</u>

See Notes to Financial Statements.



## Jewish Federation of Greater Hartford

### Statement of Functional Expenses Year Ended June 30, 2018 (with Comparative Totals for 2017)

	Campaign expenses		Community services					2018 Total	2017 Total
	Annual campaign	Financial resource development	Outreach and education	Planning and allocation	Communication, marketing and public relations	Federation services	Administration and general		
Wages	\$ 146,827	\$ 16,314	\$ 163,141	\$ 59,738	\$ 127,869	\$ 604,021	\$ 172,441	\$ 1,290,351	\$ 1,283,328
Employee benefits	37,774	4,197	41,971	16,010	24,824	161,880	38,962	325,618	291,586
Direct campaign expenses (Note 5)	32,476	-	32,476	-	-	-	-	64,952	139,002
Occupancy	21,293	5,807	17,422	11,615	6,775	26,133	7,743	96,788	91,315
Publicity/marketing	7,184	-	4,310	-	15,804	1,437	-	28,735	22,649
Data processing	14,727	2,832	4,248	1,983	1,699	1,416	1,416	28,321	30,643
Professional fees	-	-	-	-	-	-	19,985	19,985	23,499
Credit card fees (Note 5)	10,528	-	10,528	-	-	-	-	21,056	22,508
Conferences and training	4,082	2,540	1,088	454	454	363	91	9,072	5,264
Telephone	5,699	88	1,052	351	526	701	351	8,768	8,719
Office supplies	7,030	351	2,109	527	1,757	4,921	879	17,574	12,990
Missions (Note 5)	7,061	-	7,061	-	-	-	-	14,122	13,296
Annual meeting	2,053	-	513	-	2,567	-	-	5,133	4,830
Stationery and printing	1,281	-	436	77	513	128	128	2,563	650
Depreciation	55,126	15,034	45,103	30,068	17,540	67,654	20,046	250,571	255,301
Postage	2,308	-	604	107	178	284	71	3,552	3,866
Insurance	3,449	941	2,822	1,881	1,097	4,233	1,254	15,677	7,171
Committee expenses	804	201	1,006	1,408	402	201	-	4,022	3,074
Recruiting/relocation	729	243	365	243	462	365	24	2,431	454
Awards and subscriptions	175	-	44	-	219	-	-	438	262
Program expenses	-	-	-	-	-	232,017	-	232,017	270,179
Miscellaneous	536	50	109	109	109	69	10	992	2,903
<b>2018 Total</b>	<u>\$ 361,142</u>	<u>\$ 48,598</u>	<u>\$ 336,408</u>	<u>\$ 124,571</u>	<u>\$ 202,795</u>	<u>\$ 1,105,823</u>	<u>\$ 263,401</u>	<u>\$ 2,442,738</u>	<u>\$ 2,493,489</u>
<b>2017 Total</b>	<u>\$ 405,389</u>	<u>\$ 48,420</u>	<u>\$ 384,586</u>	<u>\$ 119,886</u>	<u>\$ 180,707</u>	<u>\$ 1,109,411</u>	<u>\$ 245,090</u>	<u>\$ 2,493,489</u>	

See Notes to Financial Statements.

## Jewish Federation of Greater Hartford

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

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

See Notes to Financial Statements.

**Jewish Federation of Greater Hartford**

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

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (64,155)	\$ 152,231
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized gain on investments	(737)	(895)
Depreciation	250,571	255,304
Bad debt expense	37,408	57,245
Change in value of charitable remainder trust	3,911	(3,995)
Change in operating assets and liabilities		
Promises to give - annual and special campaigns, net	226,941	128,603
Due from Jewish Community Foundation	(50,459)	39,374
Other current assets	(22,212)	94,424
Prepaid expenses and advance allocations	3,470	61,218
Assets held in charitable remainder trust	-	(1,146)
Allocations payable	(204,386)	(137,550)
Accounts payable and accrued expenses	64,340	(156,516)
Other liabilities	(655)	2,188
	<u>244,037</u>	<u>490,485</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Acquisition of equipment and furniture	(3,065)	(26,311)
Sale (purchase) of investments	1,205	129
	<u>(1,860)</u>	<u>(26,182)</u>
Net cash used in investing activities		
Net increase in cash and cash equivalents	242,177	464,303
Cash and cash equivalents, beginning	<u>1,603,418</u>	<u>1,139,115</u>
Cash and cash equivalents, end	<u>\$ 1,845,595</u>	<u>\$ 1,603,418</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 376</u>

See Notes to Financial Statements.

**Jewish Federation of Greater Hartford**

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

**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, 2018 and 2017, 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. Donated 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:

<u>Asset</u>	<u>Estimated lives</u>
Building	30 years
Equipment and furniture	5 years
Land and building 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.

**Jewish Federation of Greater Hartford**

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

**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 limits. The Federation has not experienced any losses in such accounts. As of June 30, 2018, the Federation had approximately \$1,502,983 of cash and cash equivalents in excess of federally insured limits.

Promises to give 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, 2018 and 2017, pledges receivable are as follows:

	<u>Gross</u>	<u>Cumulative allowance</u>	<u>Net</u>
<u>2018</u>			
Annual campaign	\$ 1,915,909	\$ 255,745	\$ 1,660,164
Special campaigns	109,351	10,000	99,351
	<u>\$ 2,025,260</u>	<u>\$ 265,745</u>	<u>\$ 1,759,515</u>
<u>2017</u>			
Annual campaign	\$ 2,210,373	\$ 265,745	\$ 1,944,628
Special campaigns	79,236	-	79,236
	<u>\$ 2,289,609</u>	<u>\$ 265,745</u>	<u>\$ 2,023,864</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.

## **Jewish Federation of Greater Hartford**

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

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 accompanying statements of financial position. Grants due from the Jewish Community Foundation of Greater Hartford (the "Foundation") at June 30, 2018 and 2017 were \$258,541 and \$208,082, 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, 2018 and 2017, allocations paid (under)/in excess of the accrued amount totaled (\$18,978) and \$2,851, 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 and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and, therefore, has made no provision for federal or state income taxes in the accompanying financial statements.

The Federation has no unrecognized tax benefits at June 30, 2018 and 2017. The Federation's U.S. federal information and state returns prior to fiscal year 2015 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, 2018 and 2017, total cash of \$1,845,595 and \$1,603,418 included cash equivalents of \$836,441 and \$1,044,567, 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

## Jewish Federation of Greater Hartford

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

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.

#### 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 September 27, 2018, 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, 2018 and 2017 are as follows:

	2018		2017	
	Cost	Fair value	Cost	Fair value
Equities - stocks	\$ 2,344	\$ 4,427	\$ 2,149	\$ 3,495
State of Israel bonds	2,300	2,300	3,700	3,700
	<u>\$ 4,644</u>	<u>\$ 6,727</u>	<u>\$ 5,849</u>	<u>\$ 7,195</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 2018 and 2017, contribution expense of \$49,177 and \$30,776, respectively, was included in employee benefits in the statements of functional expenses.

**Jewish Federation of Greater Hartford**

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

**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 \$116,000 through June 2019.

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 2018 and 2017 was \$19,977 and \$20,592, respectively.

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

2019	\$	21,532
2020		20,832
2021		20,832
2022		20,832
2023		12,152
		12,152
	\$	96,180

**Note 5 - Allocation of joint costs**

In 2018 and 2017, the Federation incurred joint costs of \$646,018 and \$663,589, 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:

	2018	2017
Annual campaign	\$ 361,142	\$ 405,389
Financial resource development	48,598	48,420
Outreach and education expenses	336,408	384,586
Campaign and education expenses	746,148	838,395
Less direct costs		
Direct campaign expenses	(64,952)	(139,002)
Credit card fees	(21,056)	(22,508)
Missions	(14,122)	(13,296)
Total joint costs	\$ 646,018	\$ 663,589



**Jewish Federation of Greater Hartford**

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

**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.

**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:

	Total board designated allocations	Paid prior to year ended June 30, 2018	Balance at June 30, 2018	Balance at June 30, 2017
Computer network replacement reserves	\$ 179,500	\$ 168,805	\$ 10,695	\$ 10,695
Capital replacement	66,666	-	66,666	66,666
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, 2018 and 2017 was as follows:

	2018	2017
Charitable remainder trust for the benefit of the Federation	<u>\$ 31,590</u>	<u>\$ 32,518</u>
Liability under charitable remainder trust	<u>\$ 6,558</u>	<u>\$ 3,575</u>

## Jewish Federation of Greater Hartford

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

#### 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.

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, 2018 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	\$ -	\$ 2,300	\$ -	\$ 2,300
Equities - stocks	4,427	-	-	4,427
Charitable remainder trust	-	31,590	-	31,590
<b>Total assets at fair value</b>	<b>\$ 4,427</b>	<b>\$ 33,890</b>	<b>\$ -</b>	<b>\$ 38,317</b>

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
<b>Total assets at fair value</b>	<b>\$ 3,495</b>	<b>\$ 36,218</b>	<b>\$ -</b>	<b>\$ 39,713</b>

## Jewish Federation of Greater Hartford

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

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 2018 and 2017.

Investment income for the years ended June 30, 2018 and 2017 is summarized as follows:

	2018	2017
Dividend income	\$ 141	\$ 162
Unrealized gain	737	895
Investment income	<u>\$ 877</u>	<u>\$ 1,057</u>

#### 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 - 2.897% at June 30, 2018). 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, 2018 and 2017.

#### 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.

ASC 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 and overseeing the administration of the grants. Recommendations are provided to the respective boards.

**Jewish Federation of Greater Hartford**

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

Funds administered by the Foundation for the benefit of the Federation as of June 30, 2018 and 2017 were as follows:

	2018	2017
PACE/LOJE	\$ 6,879,707	\$ 6,432,098
Unrestricted gifts	4,203,463	4,028,325
Capital expenditure fund	1,542,216	1,457,309
	\$ 12,625,386	\$ 11,917,732

**Note 12 - Temporarily restricted net assets**

Temporarily restricted net assets as of June 30, 2018 and 2017 are restricted for the following:

	2018	2017
Next fiscal year annual campaign	\$ 120,012	\$ 95,395
Commission on Jewish Education and Leadership Programs	78,617	16,622
JCRC / Literacy Program	112,726	123,655
Jessie's Garden	17,145	22,529
PJ Library Campaign	35,895	64,444
Sponsorships for future events	58,575	11,000
Donor restricted for designated gifts	97,822	97,994
	\$ 520,792	\$ 431,639

Temporarily restricted net assets released from restrictions as of June 30, 2018 and 2017 were as follows:

	2018	2017
Time restricted contributions	\$ 110,351	\$ 154,527
Commission on Jewish Education and Leadership Programs	-	2,923
Scholarship Programs	-	25,000
JCRC / Literacy Program	105,141	143,661
Jessie's Garden	9,034	1
PJ Library Campaign	30,349	31,494
Designated gifts	12,464	-
Sponsorships for future events	11,000	1,500
	278,339	359,106
Designated gifts	-	474,940
Total released from restriction	\$ 278,339	\$ 834,046

**Jewish Federation of Greater Hartford**

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

**Note 13 - Pledges - annual campaign**

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

	<u>2018</u>	<u>2017</u>
Annual campaign - unrestricted current year	\$ 3,862,543	\$ 3,962,109
Annual campaign - unrestricted prior year	<u>299,207</u>	<u>300,586</u>
	4,161,750	4,262,695
Annual campaign - released from time restriction	<u>110,351</u>	<u>154,527</u>
	<u>\$ 4,272,101</u>	<u>\$ 4,417,222</u>

## **Supplementary Information**

## Jewish Federation of Greater Hartford

### Agency Allocations June 30, 2018 and 2017

	2018	2017
Local agencies and services		
Association of Jewish Cemeteries	\$ 131,292	\$ 85,280
Bess and Paul Sigel Hebrew Academy Day School	106,728	113,693
Beth Israel	5,850	10,000
Birthright Alumni	-	3,000
Birthright Israel	20,000	20,000
B'nai B'rith Youth Organization	10,000	10,000
Campership Program	39,000	15,311
CJEL Fellows	8,000	8,000
Engagement and Outreach	-	7,688
Greenberg Center	2,000	2,000
Hebrew High School of New England	60,864	60,430
Hebrew Senior Care	20,000	-
Hillel - Trinity - Shabbat Programs	2,500	3,000
Hillel - UCONN	19,000	19,000
Hillel - UCONN - Israel	5,000	9,877
Hillel - UCONN - Post Birthright Programming	2,500	-
Hillel - University of Hartford - Student Leadership	35,000	39,935
Israel @70 Collaboration	-	19,078
Israel Action Network	5,794	5,794
Israel Programming	54,000	43,000
JACL - Core Services	5,000	5,000
Jewish Association for Community Living	16,000	16,000
Jewish Family Service - Child Services	50,000	45,000
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	7,500
Jewish Family Services of Greater Hartford - Older Adult Services	140,000	140,000
Jewish Family Services of Greater Hartford - Rent Subversion	22,000	8,000
Jewish Family Services of Greater Hartford - Special Needs Programming	16,500	16,500
Jewish Family Services of Greater Hartford - Volunteer Program	10,000	10,000
Jewish Federation Association of Connecticut	30,939	30,939
Jewish Historical Society	7,500	10,000
Jewish Historical Society - Rent Subversion	8,000	9,000
Jewish Teen Learning Connection - Central/ Awakening	15,000	29,500
Jewish Teen Learning Connection - Scholars	40,000	4,000
Jewish Teen Learning Connection - WOW	23,000	28,000
Manchester Advisory Fund	17,000	17,000
Mandell Jewish Community Center - Camp & Youth	45,000	50,000
Mandell Jewish Community Center - Early Childhood	22,500	27,500
Mandell Jewish Community Center - Family Room	55,000	55,000
Mandell Jewish Community Center - Israel Programming	30,000	25,000
Mandell Jewish Community Center - Jewish Arts & Culture	40,000	45,000
Mandell Jewish Community Center - Jewish Engagement	-	18,000
Mandell Jewish Community Center - Seniors	20,000	20,000
Mandell Jewish Community Center - Special Needs	32,500	3,900
Mikveh of West Hartford	2,000	1,500
NCSY / Young Israel	-	3,000
Social Commitment	-	60,191
Solomon Schechter Day School	188,967	187,322
Travel to Israel	1,250	1,500
UCONN - Judaic Studies	10,000	5,000
USY (Hanefesh)	2,100	2,050
WOW! in the box	25,000	-
Subtotal	<u>1,446,784</u>	<u>1,392,988</u>

**Jewish Federation of Greater Hartford**

**Agency Allocations  
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Local agencies and services subtotal	\$ 1,446,784	\$ 1,392,988
Prior year allocation and adjustments		
Allocations accrued as of the end of the previous year	1,627,929	1,392,988
Allocations paid and recognized	<u>(1,646,907)</u>	<u>(1,390,137)</u>
Total local agencies and services	<u>1,427,806</u>	<u>1,395,839</u>
Overseas agencies		
The Jewish Federations of North America - annual campaign	<u>567,239</u>	<u>572,400</u>
Total allocations	<u>\$ 1,995,045</u>	<u>\$ 1,968,239</u>

See Independent Auditor's Report.



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