

Jewish Federation of Cincinnati

**Financial Statements with Supplementary Information
December 31, 2018 with
Summarized Comparative Totals for December 31, 2017, and
Independent Auditors' Report**

JEWISH FEDERATION OF CINCINNATI

December 31, 2018 with Summarized Comparative Totals for December 31, 2017

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Independent Auditors' Report

Board of Trustees
Jewish Federation of Cincinnati

We have audited the accompanying financial statements of Jewish Federation of Cincinnati (a nonprofit organization), which comprise the statement of financial position as December 31, 2018, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 Cincinnati as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report
(Continued)**

Report on Summarized Comparative Information

We have previously audited the Jewish Federation of Cincinnati's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived. #

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Organization has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Our opinion is not modified with respect to that matter.

Barnes, Dennig & Co., Ltd.

July 22, 2019
Cincinnati, Ohio

JEWISH FEDERATION OF CINCINNATI

Statements of Financial Position December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 8,544,111	\$ 6,745,853
Annual campaign pledges receivable, net	3,975,903	4,528,729
Other campaign pledges receivable, net	4,518,269	6,391,635
Grants and allocations receivable	1,587,201	2,872,730
Prepays and other receivables	3,323,825	2,640,298
Investments	75,230,294	131,271,121
Charitable gift annuities	265,425	495,550
Property and equipment, net	1,097,776	1,307,539
Notes receivable	727,500	36,080,000
Cash surrender value of life insurance (face value of policies approximates \$9.6m in 2018 and 2017)	786,275	774,356
Beneficial interest in perpetual trust	2,853,731	3,243,149
Total assets	\$ 102,910,310	\$ 196,350,960
Liabilities and Net Assets		
Liabilities		
Allocations and grants payable	\$ 4,692,241	\$ 4,428,030
Accounts payable and accrued expenses	1,313,712	1,107,676
Refundable advances	516,748	-
Notes payable	727,500	36,080,000
Held for other organizations	9,057,740	57,135,118
Total liabilities	16,307,941	98,750,824
Net Assets		
Without donor restrictions:		
Undesignated	835,956	1,060,774
Donor advised funds	22,223,106	27,519,163
Board-designated endowment funds	22,212,092	22,490,721
Designated for other purposes	719,178	694,178
Total without donor restrictions	45,990,332	51,764,836
With donor restrictions	40,612,037	45,835,300
Total net assets	86,602,369	97,600,136
Total liabilities and net assets	\$ 102,910,310	\$ 196,350,960

See accompanying notes to financial statements

JEWISH FEDERATION OF CINCINNATI

Statement of Activities Year Ended December 31, 2018 with Summarized Comparative Totals for 2017

	2018					2017
	Without Donor	With Donor Restrictions			Total	
	Restrictions	Contributions	Releases	Total		
Revenue, gains and other support						
Annual campaign gifts, net	\$ 5,717,827	\$ 5,416,777	\$ (5,717,901)	\$ (301,124)	\$ 5,416,703	\$ 5,579,464
The Jewish Foundation annual campaign match, net	1,649,614	1,500,000	(1,649,614)	(149,614)	1,500,000	1,368,126
Donor advised fund contributions	5,893,764	-	-	-	5,893,764	9,905,566
Other contributions and bequests	1,176,513	652,870	-	652,870	1,829,383	2,684,133
Partner agency capital campaign contributions	2,991,274	-	-	-	2,991,274	8,601,547
Supplemental gifts raised on behalf of others	1,257,682	-	-	-	1,257,682	497,083
Grants, net	3,755,109	435,481	(1,825,192)	(1,389,711)	2,365,398	1,448,720
Net assets released from endowments	1,236,910	-	(1,236,910)	(1,236,910)	-	-
Total contributed revenue	23,678,693	8,005,128	(10,429,617)	(2,424,489)	21,254,204	30,084,639
Bad debt recovered (expense)	74,186	-	-	-	74,186	(53,790)
Less: annual campaign gifts from donor advised funds	(2,148,932)	-	-	-	(2,148,932)	(2,384,314)
Less: supplemental gifts raised on behalf of others	(3,917,034)	-	-	-	(3,917,034)	(9,098,630)
Net contributed revenue	17,686,913	8,005,128	(10,429,617)	(2,424,489)	15,262,424	18,547,905
Other revenue	1,205,051	-	-	-	1,205,051	869,725
Total revenue, gains and other support	18,891,964	8,005,128	(10,429,617)	(2,424,489)	16,467,475	19,417,630
Expenses						
Allocations, grants and operating expenses	25,798,032	-	-	-	25,798,032	26,318,285
Less: supplemental gifts raised on behalf of others	(3,917,034)	-	-	-	(3,917,034)	(9,595,713)
Total expenses	21,880,998	-	-	-	21,880,998	16,722,572
Change in net assets before other gains (losses)	(2,989,034)	8,005,128	(10,429,617)	(2,424,489)	(5,413,523)	2,695,058
Other gains (losses)						
Investment return, net	(2,785,470)	(2,197,273)	-	(2,197,273)	(4,982,743)	9,754,324
Other gains (losses)	-	(601,501)	-	(601,501)	(601,501)	411,094
Change in net assets	(5,774,504)	\$ 5,206,354	\$ (10,429,617)	(5,223,263)	(10,997,767)	12,860,476
Net assets, beginning of year	51,764,836			45,835,300	97,600,136	84,739,660
Net assets, end of year	\$ 45,990,332			\$ 40,612,037	\$ 86,602,369	\$ 97,600,136

See accompanying notes to financial statements

JEWISH FEDERATION OF CINCINNATI

Statement of Functional Expenses Year Ended December 31, 2018 with Summarized Comparative Totals for 2017

	Community Services	Management and General	Fundraising	Total
Allocations and grants:				
Annual campaign local allocations	\$ 2,749,967	\$ -	\$ -	\$ 2,749,967
Annual campaign Israel & overseas allocations	1,927,059	-	-	1,927,059
Other grants	13,864,919	-	-	13,864,919
Total allocations and grants	<u>18,541,945</u>	<u>-</u>	<u>-</u>	<u>18,541,945</u>
Operating expenses:				
Salaries and wages	2,119,573	1,123,410	927,377	4,170,360
Payroll taxes and benefits	603,218	120,499	223,888	947,605
Outside services	241,657	151,072	17,886	410,615
Information technology and related services	260,173	56,948	68,942	386,063
Advertising and marketing	210,674	36,163	97,896	344,733
Events	151,000	59,889	132,914	343,803
Occupancy	116,415	60,266	45,152	221,833
Employee training, education and relations	63,765	18,333	32,152	114,250
Meetings	42,126	2,946	14,669	59,741
All other expense	110,323	137,855	8,906	257,084
Total operating expenses	<u>3,918,924</u>	<u>1,767,381</u>	<u>1,569,782</u>	<u>7,256,087</u>
Total allocations, grants and operating expenses	22,460,869	1,767,381	1,569,782	25,798,032
Less: supplemental gifts raised on behalf of others	<u>(3,917,034)</u>	<u>-</u>	<u>-</u>	<u>(3,917,034)</u>
2018 Totals	<u>\$18,543,835</u>	<u>\$ 1,767,381</u>	<u>\$1,569,782</u>	<u>\$21,880,998</u>
	<u>85%</u>	<u>8%</u>	<u>7%</u>	<u>100%</u>
2017 Totals	<u>\$13,431,758</u>	<u>\$1,365,012</u>	<u>\$1,925,802</u>	<u>\$16,722,572</u>
	<u>80%</u>	<u>8%</u>	<u>12%</u>	<u>100%</u>

See accompanying notes to financial statements

JEWISH FEDERATION OF CINCINNATI

Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$(10,997,767)	\$ 12,860,476
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	223,816	294,480
Bad debt (recoveries) expense	(74,186)	53,790
Change in cash surrender value of life insurance	(11,919)	(49,527)
Change in value of charitable gift annuities	230,125	(52,474)
Change in value of beneficial interest in perpetual trust	389,418	(309,093)
Net realized and unrealized (gains) losses on investments	7,701,206	(7,764,213)
Contributions restricted for endowment purposes	(652,870)	(933,538)
Changes in:		
Annual campaign pledges receivable	627,012	(107,986)
Other campaign pledges receivable	1,873,366	(5,740,785)
Grants and allocations receivable	1,285,529	748,527
Prepays and other receivables	(683,527)	(788,951)
Allocations and grants payable	264,211	(335,857)
Accounts payable and accrued expenses	206,036	170,808
Refundable advances	516,748	-
Held for other organizations	(2,870,066)	8,128,096
Net cash provided by (used in) operating activities	<u>(1,972,868)</u>	<u>6,173,753</u>
Cash flows from investing activities		
Proceeds from sales of investments	9,012,208	8,258,868
Purchases of investments	(5,879,899)	(18,336,185)
Purchases of property and equipment	(14,053)	(24,187)
Net cash provided by (used in) investing activities	<u>3,118,256</u>	<u>(10,101,504)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for endowment purposes	652,870	1,933,538
Net change in cash and cash equivalents	1,798,258	(1,994,213)
Cash and cash equivalents, beginning of year	6,745,853	8,740,066
Cash and cash equivalents, end of year	<u>\$ 8,544,111</u>	<u>\$ 6,745,853</u>
Supplemental cash flows information:		
Non-cash reduction in notes receivable and notes payable	<u>\$ 35,352,500</u>	<u>\$ -</u>
Non-cash reduction in investments and held for others	<u>\$ 45,207,312</u>	<u>\$ -</u>

See accompanying notes to financial statements

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Jewish Federation of Cincinnati (the "Federation") was incorporated as a not-for-profit organization under the laws of the State of Ohio in 1967. The Federation makes available financial and planning resources to all members of the Jewish community wishing to participate in the enhancement and perpetuation of Jewish faith, values and life in all its diversity at home, in Israel and around the world.

The Federation conducts an annual fundraising campaign in the Greater Cincinnati area. After deducting estimated uncollectible pledges and administrative and fundraising costs, allocations are made to local, national and international beneficiary organizations. Commitments are made from the current year's campaign to these organizations. These commitments are reflected in the accompanying financial statements.

The Federation also solicits and maintains funds from donors within the Greater Cincinnati area to be used for charitable purposes (referred to as "donor-advised funds" or "philanthropic funds"). These donors may recommend how these funds should be disbursed, but the Federation holds the power to determine actual use of these funds.

The Federation also raises funds on behalf of other agencies and organizations within the Jewish Community of Greater Cincinnati. These funds are recognized as income in the period the gift is committed.

Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Federation's financial statements for the year ended December 31, 2017, from which the comparative information was derived.

The financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Federation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, cash equivalents consisted primarily of money market accounts. The Federation maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Federation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments and Investment Return

Investments in equity and debt securities are carried at fair value. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as revenues with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities as revenues with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions. The Organization's investments do not have a significant concentration of credit or market risk within any industry, specific institution or group of investments.

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

The Federation assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions.

Allocations and Grants Payable

Allocations and grants payable are contributions to other non-profit agencies that support the Jewish community and are expected to be paid within one year.

Contributions

Contributions are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts received with donor stipulations that limit their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenues with donor restrictions and then released from restriction.

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-lived assets must be maintained, the Federation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Pledges for contributions to the annual campaign are recorded as receivables and revenues when unconditional promises to give are received by the Federation from donors. Allowances are provided for amounts estimated to be uncollectible. The allowance is calculated based on either a percentage of all pledges received for a certain campaign year, or the outstanding balance remaining in receivables for a specific campaign year.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Federation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Federation.

Income Taxes

The Federation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio law. However, the Federation is subject to federal income tax on any unrelated business taxable income.

The Federation's IRS Form 990 is subject to review and examination by federal and state authorities. The Federation believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional classification basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations are determined by management on an equitable basis. The most significant allocations were salaries and related expenses and occupancy and depreciation, which were allocated based on time and effort.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain 2017 figures have been reclassified to conform to the 2018 presentation.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of Adopting New Accounting Standards

In 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions). In addition, updated disclosure requirements are presented regarding risk exposure and availability of cash for short-term use and expenses are reported by both natural and functional classification. The Organization adopted ASU 2016-14 as of January 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented except for the disclosure of information about liquidity and availability of resources and functional expenses, which are permitted to be omitted for any periods presented before the period of adoption.

Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. The standard’s core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contract with customers. This standard will be effective for the calendar year ending December 31, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for calendar year ending December 31, 2020.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. This standard will be effective for the calendar year ending December 31, 2019.

The Federation is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Event Evaluation

Subsequent events have been evaluated through July 22, 2019, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Federation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. The Federation has various sources of liquidity at its disposal, including cash, cash equivalents and a diversified investment portfolio.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Federation considers all expenditures related to its ongoing activities of fundraising, grant management, and services to the Jewish community.

In addition to financial assets available to meet general expenditures over the next 12 months, the Federation strives for a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted or board-designated resources.

As of December 31, 2018, the following table shows the total financial assets held by the Federation and the amounts of those financial assets that could be readily available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$ 8,544,111
Annual campaign pledges receivable, net	3,975,903
Other campaign pledges receivable, net	4,518,269
Grants and allocations receivable	1,587,201
Investments	<u>75,230,294</u>
Total significant financial assets	93,855,778
Less funds held for other agencies	(9,057,740)
Less donor advised funds	(22,223,106)
Less board-designated endowments	(22,212,092)
Less board-designated other	(719,178)
Less donor restricted endowments	(28,346,708)
Less other donor restricted funds	(1,051,700)
Add budgeted endowment draws	<u>1,253,000</u>
Total significant financial assets available within one year	<u>\$ 11,498,254</u>

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 3 CAMPAIGN PLEDGES RECEIVABLE

Annual campaign pledges receivable consisted of the following at December 31:

	2018		
	Campaign Pledges Receivable	Allowance for Uncollectible Pledges	Net Campaign Pledges Receivable
Year campaign pledges due:			
2019 and beyond	\$ 3,706,817	\$ 141,595	\$ 3,565,222
2018	611,002	200,321	410,681
2017	73,461	73,461	-
2016 and prior	223,886	223,886	-
	\$ 4,615,166	\$ 639,263	\$ 3,975,903
	2017		
	Campaign Pledges Receivable	Allowance for Uncollectible Pledges	Net Campaign Pledges Receivable
Year campaign pledges due:			
2018 and beyond	\$ 3,998,386	\$ 152,134	\$ 3,846,252
2017	761,601	197,124	567,477
2016	196,041	81,041	115,000
2015 and prior	368,679	368,679	-
	\$ 5,324,707	\$ 798,978	\$ 4,528,729

Other campaign pledges receivable consisted of the following at December 31:

	2018	2017
Holocaust and Humanity Center capital campaign	\$ 4,340,701	\$ 6,086,924
Jewish Family Service Vital Services campaign	177,568	304,711
	\$ 4,518,269	\$ 6,391,635

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 3 CAMPAIGN PLEDGES RECEIVABLE (CONTINUED)

The Holocaust and Humanity Center (HHC) capital campaign pledges receivable consist of pledges being collected on behalf of the HHC for the expansion and relocation of the HHC museum and consisted of the following as of December 31:

	2018	2017
Due in one year or less	\$ 1,707,785	\$ 2,465,511
Due in one to five years	2,872,060	3,733,456
	4,579,845	6,198,967
Less unamortized discount on pledges	(239,144)	(112,043)
	\$ 4,340,701	\$ 6,086,924

The discount rate for the HHC capital campaign pledges receivable was 1.93% for 2018 and 2017.

The Jewish Family Service (JFS) Vital Services campaign pledges receivable consist of pledges being collected on behalf of JFS for the construction and operation of the Vital Services Center and consisted of the following as of December 31:

	2018	2017
Due in one year or less	\$ 185,000	\$ 118,000
Due in one to five years	-	200,000
	185,000	318,000
Less unamortized discount on pledges	(7,432)	(13,289)
	\$ 177,568	\$ 304,711

The discount rate for the JFS Vital Services campaign pledges receivable was 2.25% for 2018 and 2017.

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 4 GRANTS AND ALLOCATIONS RECEIVABLE

Grants and allocations receivable as of December 31 consisted of the following:

	2018	2017
The Jewish Foundation of Cincinnati:		
Annual campaign match	\$ 500,000	\$ 500,000
Teacher salary enhancement	374,750	487,480
Strengthening individual giving	365,266	730,000
SAFE Cincinnati	228,073	186,374
Talent Management Initiative	44,112	-
Shared business services	-	791,976
Cincy Journeys	-	101,900
United Way of Greater Cincinnati	75,000	75,000
	\$ 1,587,201	\$ 2,872,730

NOTE 5 CONDITIONAL GRANT AGREEMENTS

The Federation is the recipient of various conditional grant agreements from The Jewish Foundation of Cincinnati (the "Foundation") to fund programming and other initiatives. Under these agreements, the Foundation has agreed to provide up to a certain amount as reimbursement for certain expenses associated with the programs or initiatives. Funding related to these grants is contingent upon certain performance conditions being met and will be recognized as revenue as earned. As of December 31, 2018, the Federation had received \$516,748 in advance of utilization, which has been recognized as a refundable advance on the statement of financial position.

The following table summarizes the total amounts received and remaining to be received under the grant agreements:

	Grant Amount	Funds Received in 2018	Remaining Funds Available at 12/31/18
Strengthening Individual Giving	\$ 3,897,000	\$ -	\$ 3,897,000
Shared Business Services	2,983,000	-	2,983,000
Community Property and Maintenance	3,500,000	332,000	3,168,000
SAFE Cincinnati	1,218,907	189,151	1,029,756
Donor Advised Fund Capacity Building	717,000	-	717,000
Grant Writer	300,000	-	300,000
Volunteer Center Study	81,000	-	81,000
Talent Management Initiative	200,000	124,397	75,603
Honeymoon Israel	105,000	105,000	-
	\$13,001,907	\$ 750,548	\$12,251,359

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 6 INVESTMENTS

Investments consisted of the following as of December 31:

	2018	2017
Equity mutual funds	\$ 33,640,763	\$ 38,907,896
Hedge funds	24,888,555	28,119,919
Fixed income mutual funds	9,459,821	10,158,324
Money market funds	6,461,772	8,074,470
State of Israel bonds	772,443	765,936
Equity securities	6,940	19,764
Subtotal - Jewish Federation and other	75,230,294	86,046,309
Investments held for JCC:		
Money market funds	-	35,420,066
Equity mutual funds	-	7,443,731
Fixed income mutual funds	-	2,361,015
Subtotal - Held for JCC	-	45,224,812
	\$ 75,230,294	\$ 131,271,121

In connection with the repayment of the tax-exempt bonds (see Note 9), the Jewish Community Center (JCC) became the custodian of record for the investments previously held by the Federation on behalf of the JCC.

In addition to the investments held for the JCC, investments include amounts owned by local organizations entrusted to the Federation in an agency capacity. These amounts total \$3,014,426 and \$3,349,435 as of December 31, 2018 and 2017, respectively, and are included in total liabilities in the accompanying statement of financial position as held for other organizations.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2018	2017
Buildings and improvements	\$ 1,344,970	\$ 1,344,970
Equipment, furniture and fixtures	1,638,824	1,624,771
Land improvements	102,396	102,396
Land	670,587	670,587
Less accumulated depreciation	(2,659,001)	(2,435,185)
	\$ 1,097,776	\$ 1,307,539

In addition to its own equipment, furniture and fixtures, the Federation holds titles to the properties used by Cincinnati Hillel and Camp Livingston. In 2018 and 2017, the Federation did not charge rent for the use of these facilities.

Subsequent to year-end, the Federation sold land located in Mason, Ohio for \$3,200,000. The proceeds from this sale were transferred to the Federation's board-designated endowment fund.

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 8 BENEFICIAL INTEREST IN PERPETUAL TRUST

The Federation is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, the Federation has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. Distributions received from this trust for 2018 and 2017 were \$156,095 and \$142,754, respectively.

NOTE 9 NOTES RECEIVABLE AND PAYABLE

The Federation collaborated with the JCC in the construction of the Mayerson JCC whose construction was completed in September 2008. The construction was funded through contributions and \$35,110,000 of tax-exempt bonds with an original maturity date of July 2036. During 2013, the Federation and the JCC refinanced the bonds and entered into \$35,315,000 tax-exempt bonds, as co-borrowers. The bonds were paid in-full during 2018. The bonds required payment of interest only at 67% of one-month LIBOR, plus 80.8 basis points (1.85% at December 31, 2018) to be paid monthly through the initial fixed mandatory repurchase date of October 31, 2020, at which time the lender would have the option to call the loan or renew through a subsequent mandatory repurchase date, not to exceed the final maturity of July 1, 2041, at which time any outstanding principal was due. The bonds were secured by the investments held by the JCC and the Federation while the monthly interest payments were made by the JCC. In addition to the non-financial covenants of the agreement, the Federation and the JCC were required to maintain a liquidity ratio of not less than 1.40 to 1.00, measured each semi-annual period. The Federation had recognized a notes receivable and notes payable in the amount of \$35,315,000 as of December 31, 2017.

The Federation and another non-profit agency, as co-borrowers, have a note payable with an outstanding balance of \$727,500 and \$765,000 as of December 31, 2018 and 2017, respectively. The note payable bears interest at the daily LIBOR rate, plus 2.50% (3.94% at December 31, 2018) and is payable in quarterly principal installments of \$12,500, plus interest, through maturity on November 1, 2020, at which time the remaining principal balance is due. The interest payments are being made by the other non-profit agency. The note is secured by all business assets of the other non-profit agency and an open-ended mortgage on the building granted by the non-profit agency to the Federation. The Federation has recognized a note receivable and note payable for the outstanding balance as of December 31, 2018 and 2017. Future minimum principal payments as of December 31, 2018 are \$50,000 in 2019 and \$677,500 in 2020.

Additionally, the Federation and the other non-profit agency, as co-borrowers, have a \$150,000 revolving note agreement. The revolving note bears interest at the daily LIBOR rate, plus 2.50% (4.89% at December 31, 2018) to be paid monthly on any outstanding balance through maturity on December 31, 2019. No borrowings were outstanding against the revolving note as of December 31, 2018 and 2017.

Effective November 7, 2018, the Federation also entered into an agreement to loan another non-profit agency up to \$5,000,000 to finance the construction of a new facility. The revolving promissory note bears interest at the daily LIBOR rate, plus 1.50%, (3.89% at December 31, 2018) to be paid monthly on any outstanding balance through maturity on November 7, 2023. No borrowings were outstanding against the revolving note as of December 31, 2018.

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 10 HELD FOR OTHER ORGANIZATIONS

The Federation regularly collaborates with other local Jewish agencies to facilitate their fundraising campaigns, as well as serving as the custodian and manager of a pooled investment account. In conjunction with these activities, the Federation held cash, pledges receivable and investments on behalf of the following agencies as of December 31:

	2018	2017
Holocaust and Humanity Center	\$ 5,715,636	\$ 8,231,551
Jewish Family Service	2,465,624	2,771,239
Other Jewish agencies	858,980	907,516
Jewish Community Center	17,500	45,224,812
	\$ 9,057,740	\$ 57,135,118

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 consisted of the following:

	2018	2017
Donor-restricted endowment funds:		
Community needs	\$ 11,236,567	\$ 12,109,667
Seniors	4,800,048	5,442,261
Scholarships	4,584,518	5,130,432
Education	3,792,444	4,238,124
Career networking and recruitment	2,008,231	2,203,075
Other	1,924,900	2,004,462
Total donor-restricted endowment funds	28,346,708	31,128,021
Beneficial interest in perpetual trust	2,853,731	3,243,149
Restricted as to period of use:		
Annual campaign funds	6,200,575	6,576,313
Other	1,051,700	1,344,906
Restricted as to purpose:		
Shared business services	317,795	956,937
Create your Jewish legacy (CYJL)	730,000	730,000
Strengthening individual giving	304,756	706,006
Teacher salary enhancement	436,028	537,687
Other	370,744	612,281
	\$ 40,612,037	\$ 45,835,300

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 12 ENDOWMENTS

The Federation's endowment consists of several donor-restricted and board-designated endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Federation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance on matters concerning the governance and management of donor-restricted endowment funds. Under UPMIFA, the original value of donated gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument are classified as net assets with donor restrictions. The remaining portion of the donor-restricted endowment fund that is not included in donor-restricted endowment, at historical value, is classified as accumulated net appreciation on endowments until those amounts are appropriated for expenditure by the Board of Trustees.

The endowment net asset composition by type of fund is as follows as of December 31:

	2018	2017
Without donor restrictions:		
Board-designated endowments	\$ 22,212,092	\$ 22,490,721
With donor restrictions:		
Donor-restricted endowments, at historical value, required to be maintained in perpetuity by donor	14,039,530	13,670,496
Accumulated net appreciation of endowments required to be maintained in perpetuity by donor	4,415,538	6,522,215
Donor-restricted endowments not required to be maintained in perpetuity by donor	9,891,640	10,935,310
Total with donor restrictions	28,346,708	31,128,021
	\$ 50,558,800	\$ 53,618,742

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 12 ENDOWMENTS (CONTINUED)

The changes in endowment net assets for the years ended December 31 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - 12/31/16	\$ 19,831,617	\$ 27,529,055	\$ 47,360,672
Contributions	827,019	933,538	1,760,557
Investment return	2,775,799	3,942,855	6,718,654
Appropriated earnings	<u>(943,714)</u>	<u>(1,277,427)</u>	<u>(2,221,141)</u>
Endowment net assets - 12/31/17	22,490,721	31,128,021	53,618,742
Contributions	1,482,630	652,870	2,135,500
Investment return	(1,089,022)	(2,197,273)	(3,286,295)
Appropriated earnings	<u>(672,237)</u>	<u>(1,236,910)</u>	<u>(1,909,147)</u>
Endowment net assets - 12/31/18	<u><u>\$ 22,212,092</u></u>	<u><u>\$ 28,346,708</u></u>	<u><u>\$ 50,558,800</u></u>

Investment Policy

The Federation recognizes the need to develop and execute a comprehensive program of prudently investing the assets under its control with the goal of maximizing the long-term total return of the endowment assets and meeting the cash flow needs of the Federation for the benefit of the Jewish Community. The Federation believes that the most significant decision affecting its ability to meet this goal is the asset allocation decision. As such, the Federation has adopted a diversified asset allocation strategy based on its investment objectives and risk tolerances. Additionally, the Federation recognizes the risks associated with allowing a single investment manager or investment product's market value to dominate the investment strategy. Therefore, no investment manager or investment product can exceed 20% of the market value of the investments. Further, the investment policy details certain investments as prohibited investments. The Federation expects investments to outperform relevant indices and targeted benchmarks over rolling three and five year time periods. This policy does not apply to funds held for other agencies, as they are subject to that organization's investment policies.

Spending Policy

The Federation's current recommended spending policy is to allow annual spending of 5.0% of a rolling 12-quarter weighted average of the market value of the asset pool for both the unrestricted and restricted endowments. However, if the Board decides to override the recommended spending policy, it must be done with a super-majority, which is defined as a two-thirds (2/3) majority of the Board of Trustees. Subsequent to year-end, the spending policy draw was reduced to 4.75% for 2019 and 4.5% for 2020, using a rolling 20-quarter weighted average market value.

NOTE 13 EMPLOYEE BENEFIT PLAN

The Federation has a defined contribution plan for all employees meeting certain eligibility requirements. The plan provides for voluntary contributions by the Federation's employees up to a specified percentage of gross pay and a Federation match of 50% of a participant's contribution up to 6% of eligible compensation. In addition, the Federation may make additional discretionary contributions. Federation contributions to the plan approximated \$92,510 and \$144,176 in 2018 and 2017, respectively.

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 14 SIGNIFICANT CONCENTRATIONS

GAAP requires disclosure of current vulnerabilities due to certain concentrations. Approximately, 23% of total revenue, gains and other support was received from The Jewish Foundation of Cincinnati in 2018.

NOTE 15 FAIR VALUE MEASUREMENTS

The following summarizes assets measured at fair value on a recurring basis at December 31, 2018 and 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Not subject to fair value measurements</u>	<u>Total</u>
2018					
Investments					
Equity mutual funds	\$33,640,763	\$ -	\$ -	\$ -	\$ 33,640,763
Fixed income mutual funds	9,459,821	-	-	-	9,459,821
Equity securities	6,940	-	-	-	6,940
State of Israel bonds	-	772,443	-	-	772,443
Money market funds	-	6,461,772	-	-	6,461,772
Hedge funds	-	-	-	24,888,555	24,888,555
Total investments	<u>43,107,524</u>	<u>7,234,215</u>	<u>-</u>	<u>24,888,555</u>	<u>75,230,294</u>
CSV of life insurance policies	-	786,275	-	-	786,275
Charitable gift annuities	-	265,425	-	-	265,425
Beneficial interest in trust	-	-	2,853,731	-	2,853,731
Total assets	<u>\$43,107,524</u>	<u>\$ 8,285,915</u>	<u>\$2,853,731</u>	<u>\$24,888,555</u>	<u>\$ 79,135,725</u>
2017					
Investments					
Equity mutual funds	\$38,907,896	\$ -	\$ -	\$ -	\$ 38,907,896
Fixed income mutual funds	10,158,324	-	-	-	10,158,324
Equity securities	19,764	-	-	-	19,764
State of Israel bonds	-	765,936	-	-	765,936
Money market funds	-	8,074,470	-	-	8,074,470
Hedge funds	-	-	-	28,119,919	28,119,919
Subtotal - Jewish Federation	<u>49,085,984</u>	<u>8,840,406</u>	<u>-</u>	<u>28,119,919</u>	<u>86,046,309</u>
Investments held for JCC:					
Equity mutual funds	7,443,731	-	-	-	7,443,731
Fixed income mutual funds	2,361,015	-	-	-	2,361,015
Money market funds	-	35,420,066	-	-	35,420,066
Subtotal - Held for JCC	<u>9,804,746</u>	<u>35,420,066</u>	<u>-</u>	<u>-</u>	<u>45,224,812</u>
Total investments	<u>58,890,730</u>	<u>44,260,472</u>	<u>-</u>	<u>28,119,919</u>	<u>131,271,121</u>
CSV of life insurance policies	-	774,356	-	-	774,356
Charitable gift annuities	-	495,550	-	-	495,550
Beneficial interest in trust	-	-	3,243,149	-	3,243,149
Total assets	<u>\$58,890,730</u>	<u>\$45,530,378</u>	<u>\$3,243,149</u>	<u>\$28,119,919</u>	<u>\$135,784,176</u>

JEWISH FEDERATION OF CINCINNATI

Notes to Financial Statements (Continued)

NOTE 15 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values for equity securities and equity, fixed income and alternative strategy mutual funds have Level 1 inputs of quoted prices in active markets.

Fair values for money market funds have Level 2 inputs as fair value is based off the observable values of the underlying securities.

Fair values for the Federation's State of Israel bonds can be estimated using the face value, maturity date, payoff dates, and interest rate for each of the bonds. These are considered to be Level 2 observable inputs.

Fair values for the cash surrender value of life insurance policies can be estimated using the face value, premium amounts, interest rate and age of insured. These are considered to be Level 2 observable inputs.

Fair values for charitable gift annuities can be estimated using the contribution amount, annuity amount, interest rate and age of insured. These are considered to be Level 2 observable inputs.

Fair value for the beneficial interest in perpetual trust is derived from the present value of the investments at the time of death of the last remaining beneficiary. Future value of investments is not observable and therefore Level 3.

The following table is a reconciliation of all assets measured at fair value on a recurring basis using significant Level 3 unobservable inputs:

Balance at December 31, 2016	\$ 2,934,056
Change in value	<u>309,093</u>
Balance at December 31, 2017	3,243,149
Change in value	<u>(389,418)</u>
Balance at December 31, 2018	<u><u>\$ 2,853,731</u></u>

Investments in Certain Entities that Calculate Net Asset Value per Share

Hedge funds are investments in unregistered investment pools. The investment pools in turn invest in various equity and debt securities and other vehicles to generate an investment return. The value of these investment pools is reported by the Federation based on information provided by the investment management.

Values may be based on readily available public market data as well as estimates that require varying degrees of judgment. Generally, the value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The financial statements of the investees are audited annually by independent auditors as of December 31 with the most recent being as of December 31, 2018 or December 31, 2017. Valuations for these investment pools provided by the investment managers are evaluated by the Federation, and management believes such values are reasonable for years ended December 31, 2018 and 2017.

JEWISH FEDERATION OF CINCINNATI

**Notes to Financial Statements
(Continued)**

NOTE 15 FAIR VALUE MEASUREMENTS (CONTINUED)

The Federation used Net Asset Value (NAV) to determine the fair value of all the underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies by major category:

	Year Ended December 31, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	<u>\$ 24,888,555</u>	<u>\$ -</u>	Daily to annually	1 to 90 days

Hedge funds include investments in funds that invest in securities and private investment companies. The funds invest substantially all of its assets through a master-feeder structure with a "Master Fund", an investment company that has the same investment objectives as the funds. The fair value of the Federation's investment in this category has been estimated using the net asset value per share of the investments.