

**Jewish Community Foundation, Inc.
Financial Statements
(Together with Independent Auditors' Report)**

December 31, 2018

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

JEWISH COMMUNITY FOUNDATION, INC., INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Reports)**

FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jewish Community Foundation, Inc., Inc.

We have audited the accompanying financial statements of Jewish Community Foundation, Inc. (a not-for-profit Foundation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 Community Foundation, Inc., Inc. 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.

Other Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, the Foundation adopted Accounting Standards Update 2016-14, "Not-for-Profit Entities." Our opinion is not modified with respect to this matter.

Marks Paneth LLP
Purchase, New York
November 1, 2019

JEWISH COMMUNITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

	<u>2018</u>
Cash and cash equivalents	\$ 12,256
Accrued income receivable	2,884
Mortgage receivable under split-interest agreements	172,467
Investments	<u>4,063,366</u>
Total Assets	<u>\$ 4,250,973</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	<u>\$ 63</u>
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Agency Liabilities:

Due to FJP	2,479,452
Due to other agencies or programs	<u>242,546</u>
Total Agency Liabilities	<u>2,721,998</u>

Total Liabilities	<u>2,722,061</u>
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Net Assets

Without restrictions	273,658
With restrictions	<u>1,255,254</u>
Total Net Assets	<u>1,528,912</u>

Total Liabilities and Net Assets	<u>\$ 4,250,973</u>
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JEWISH COMMUNITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 863		\$ 863
Interest on mortgage receivable	9,253		9,253
Investment return	14,471	-	14,471
Total Revenues and Other Support	<u>24,587</u>	<u>-</u>	<u>24,587</u>
EXPENSES			
Program services:			
Distributions to FJP	84,911	-	84,911
Distributions to other agencies	28,969	-	28,969
Distribution to Sara Factor pursuant to Robert Factor unitrust agreement	12,646	-	12,646
Total Program Services	<u>126,526</u>	<u>-</u>	<u>126,526</u>
Mangement and general			
Accounting and audit	15,750	-	15,750
Office and administration	20,534	-	20,534
Total Supporting Services	<u>36,284</u>	<u>-</u>	<u>36,284</u>
Total Expenses	<u>162,810</u>	<u>-</u>	<u>162,810</u>
<u>CHANGE IN NET ASSETS</u>	(138,223)	-	(138,223)
Net assets - beginning of year	<u>411,881</u>	<u>1,255,254</u>	<u>1,667,135</u>
Net assets - end of year	<u>\$ 273,658</u>	<u>\$ 1,255,254</u>	<u>\$ 1,528,912</u>

JEWISH COMMUNITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018

	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (138,223)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Realized and unrealized loss on investments	37,058
Changes in Operating Assets and Liabilities:	
Accrued income receivable	(780)
Agency liabilities	<u>138,394</u>
Total Adjustments	<u>174,672</u>
Net Cash Provided by Operating Activities	<u>36,449</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Principal payments received on mortgage receivable	6,919
Proceeds from sale of investments	25,000
Purchases of investments	<u>(193,836)</u>
Net Cash Used by Investing Activities	<u>(161,917)</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	(125,468)
Cash and cash equivalents - beginning of year	<u>137,724</u>
Cash and cash equivalents - end of year	<u>\$ 12,256</u>

JEWISH COMMUNITY FOUNDATION, INC., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – OPERATIONS

Jewish Community Foundation, Inc. ("Foundation" or the "JCF"), is a not-for-profit organization that serves as a fund development vehicle and investment manager for the Federation for Jewish Philanthropy of Upper Fairfield County ("FJP") and other Jewish agencies, primarily in the Greater Bridgeport area ("Other agencies"). The principal mission of the Foundation is to 1) provide a means of accepting gifts, bequests, devices, and other donor restricted contributions on behalf of FJP and other agencies and programs; 2) invest and otherwise manage and administer the assets received, and 3) provide financial assistance to FJP and Other agencies. The Foundation provides investment management services for certain net assets restricted by donors and makes distributions of those assets at the direction of FJP when those restrictions are met.

The Foundation receives donations from individuals and foundations at the donors' discretion.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

JCF's financial statements have been prepared on the accrual basis of accounting and presented in accordance with Financial Accounting Standards Board ("FASB") guidance for not-for-profit organizations. Under that guidance, the Organization is required to report information regarding its net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to explicit donor-imposed stipulations, including board designated funds functioning as an endowment.
- With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Foundation or the passage of time, stipulations that they be maintained permanently by the Foundation, and net assets from endowments not yet appropriated for spending. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled, the stipulated time period has elapsed, or endowment earnings are appropriated) are reported as net assets released from restrictions.

Revenue Recognition

Contributions: All contributions are recognized as support without donor restrictions unless their use is specifically restricted by the donor. When a donor restriction expires, the stipulated time restriction ends, or the purpose of the restriction is accomplished, net assets are reclassified to net assets without restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are recognized as support with donor restrictions that increase those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation recognizes the support as without restriction.

Pledges Receivable: Unconditional promises to give are recognized as revenue in the period received and recorded as assets or decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

JEWISH COMMUNITY FOUNDATION, INC., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Non-cash Contributions: The Foundation receives a substantial amount of volunteer services in carrying out its programs and activities. Volunteers perform various administrative and fundraising functions. However, only certain amounts have been reflected in the financial statements for those services meeting the criteria for recognition. Contributed services are not recognized unless the donated services create or enhance non-financial assets or require specialized skills that would typically be purchased if not donated. In-kind contributions are measured at the fair value of the assets transferred to JCF or the liabilities cancelled or settled.

Investment revenue: The Foundation maintains pooled investments accounts for its funds. Interest, dividends, investment expenses and realized and unrealized gains and losses on the pooled investments are allocated monthly to the respective funds based on the relationship of the market value of each fund to the total market value of all pooled funds.

Endowment Fund Management and Agency Transactions

As a community foundation certain resources are managed as individual charitable funds according to their nature and purpose. Certain funds are subject to the restrictions of their gift instruments. The Foundation does not have variance power over any of the gifts.

Contributions and pledges designated by the donors to be paid to specific agencies are considered agency transactions. Such contributions and pledges raised on behalf of others are not reflected in the accompanying statements of activities and change in net assets.

Investments

JCF follows FASB guidance on fair value, which, among other things, defines fair value, establishes a hierarchical framework for measuring fair value, and expands disclosure about fair value measurements. Fair value is defined as 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. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as “inputs”) used in pricing the asset or liability, as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, with fair value being determined through the use of models or other valuation methodologies.

Level 3: Inputs are unobservable for the asset or liability and are used to the extent that observable inputs do not exist. Level 3 inputs require significant management judgment and estimation. Factors considered include the purchase cost, prices of recent private placements of the same issuer, liquidity of the investment, changes in financial condition of the issuer, and valuations of similar companies.

The Foundation values all of its investments using Level 1 inputs. For equity and fixed income bond funds, the inputs are valued at the net asset value of shares held at year end. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The Foundation reports investment income and gains and losses as increases or decreases in unrestricted net assets in the Statements of Activities and Change in Net Assets unless a donor or law restricts their use.

JEWISH COMMUNITY FOUNDATION, INC., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Uncertainty in Income Taxes

The Foundation evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2018, the Foundation does not believe that it has taken any positions that would require recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Foundation regularly assesses these estimates and, while actual results may differ from these estimates, management believes that material changes will not occur in the near term.

Cash Equivalents

For financial statement purposes, the Foundation considers all highly liquid investments with an initial maturity of less than three months when purchased to be cash equivalents.

Recent Authoritative Pronouncements

FASB Accounting Standards Update (“ASU”) 2016-14, “Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities” was adopted for the year ended December 31, 2018. ASU 2016-14 provides for a number of changes including the presentation of two classes of net assets and enhanced disclosure of liquid resources and expense allocation. These changes had no impact on the change in net assets for the year ended December 31, 2018.

The FASB has issued standards that the Foundation must consider for adoption over the next two years. Those standards include the following: 1) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* effective for the year ended December 31, 2019; which aims to assist entities in evaluating whether contributions should be accounted for as contributions or exchange transactions and determination as to whether a contribution is conditional, and 2) *Leases*, effective for the year ended December 31, 2020, which aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The Foundation is currently evaluating the impact of the adoption of these standards on its financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENDITURES

The Foundation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities as well as services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation anticipates collecting sufficient revenue through its annual gala event, delegation participation fees, and other membership contributions to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Foundation's cash and shows positive cash generated by operations for the year ended December 31, 2018.

JEWISH COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENDITURES(Continued)

As of December 31, 2018, the Foundation's financial assets available for general expenditure, that is, without donor or other restrictions that limit their use, within one year of the statement of position date, comprise the following:

Cash and cash equivalents	\$ 12,256
Accounts receivable	2,884
Mortgage receivable under split-interest agreements	172,467
Investments	<u>4,063,366</u>
Subtotal of financial assets at year end	4,250,973
Less amounts with limits on usage:	
Agency liabilities	(2,721,998)
Net assets with donor restrictions	<u>(1,255,254)</u>
Total financial assets available for general use within one year	\$ <u>273,721</u>

NOTE 4 – SPLIT-INTEREST AGREEMENTS

As a result of the sale of an investment property held by a charitable remainder unitrust (CRUT) in 2014, the Foundation holds a purchase money mortgage (the "mortgage"), original amount receivable of \$200,000, with an interest rate of 5.25%. Monthly payments of \$1,350 commenced in September 2014 and continue with final payment due August 2019, or upon the sale of the property, if there is a sale. The mortgage is secured by the real estate property. The interest income from the mortgage and from the pooled investments held from the sale of the investment property is accrued and payable to the income beneficiary of the CRUT on a quarterly basis. The rate of interest is determined by the Board annually based on the Foundation's spending rate policy. The rate for the year ended December 31, 2018 was 3%. Distributions to the beneficiary are included in the Statement of Activities.

NOTE 5 – INVESTMENTS

The following table sets forth, within Level One of the fair value hierarchy, the Foundation's assets at fair value at December 31, 2018:

	<u>2018</u>
Equity mutual funds and REIT	\$ 2,822,735
Fixed income funds	<u>1,240,631</u>
Total Assets at Fair Value	\$ <u>4,063,366</u>

JEWISH COMMUNITY FOUNDATION, INC., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 – INVESTMENTS(Continued)

Investments reflected at fair value on the accompanying Statement of Financial Position by classification were as follows:

	<u>2018</u>
Unrestricted investments	\$ 258,581
Restricted investments under split-interest agreements	137,848
Restricted long-term investments	944,939
Agency assets investment	<u>2,721,998</u>
 Total Investment Return	 \$ <u>4,063,366</u>

Investment activity, including interest earned on cash accounts, is summarized as follows:

	<u>2018</u>
Interest and dividend income	\$ 53,499
Net realized and unrealized gains	(37,058)
Investment fees	<u>(1,970)</u>
 Total Investment Return	 \$ <u>14,471</u>

Investments are managed in accordance with board-approved policies. The policies are designed to diversify the assets in the portfolio and manage them in a prudent manner, to preserve the value of the portfolio in real terms (after inflation), and to generate a reliable flow of earnings annually for support.

NOTE 6 – AGENCY LIABILITIES

The Foundation acts as an agent in providing investment management services for FJP and other agencies and has included the amounts due to these agencies as liabilities in the statement of financial position. Certain of the funds held for the agencies have donor restrictions between the agency and the donor.

The Foundation makes distributions to FJP and other agencies annually. JCF does not have variance power on the assets they hold on behalf of the Foundation.

JEWISH COMMUNITY FOUNDATION, INC., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10 – NET ASSETS

A donor-restricted endowment is classified as either perpetual (donor stipulates investment in perpetuity of certain net assets) or term (donor stipulates investment for a specific period of time of certain net assets). Unless stipulated by the donor as a term endowment, all donor-restricted endowment funds are classified as perpetual. A board-designated quasi endowment is created when the Board (not the donor) authorizes investment of net assets into an endowment. Board-designated quasi endowments are created primarily from net assets without donor restriction; however, the Board may designate unexpended net assets with donor restrictions to be invested in an endowment, until expended per the donor's instructions.

The Foundation has a Charitable Remainder Unitrust (CRUT) that is restricted for the term of the beneficiary's lifetime. During the term, the interest earned on the mortgage receivable plus 3% return of the donor restricted investments are paid to the beneficiary. Upon the beneficiary's death, all income payments due to the beneficiary will cease and the net assets held in the CRUT will be released from restrictions.

Interpretation of Relevant Law

The Foundation's board of directors has interpreted the State of Connecticut's Uniform Prudent Management of Institutional Funds Act ("CUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations, if any, to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. Net assets are classified as with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the CUPMIFA.

In accordance with the CUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund,
- 2) The purposes of the Foundation and the donor-restricted fund,
- 3) General economic conditions,
- 4) The possible effect of inflation and deflation,
- 5) The expected total return from income and the appreciation of investments,
- 6) Other resources of the Foundation, and
- 7) The investment policies of the Foundation.

Investments are managed in accordance with the Foundation's board-approved investment and spending policies. The primary investment objective is to preserve capital and minimize investment risk.

Spending Policy

The Investment Policy includes a spending policy governing any distributions from the total return on the Foundation's endowments. The spending rate is 3% for the year ended December 31, 2018.

JEWISH COMMUNITY FOUNDATION, INC., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10 – NET ASSETS(Continued)

Endowment Net Assets

Changes in endowment net assets for the years ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment
Endowment net assets, year ended December 31, 2017	\$ 216,589	\$ 1,450,716	\$ 1,667,305
Contributions	-	15,898	15,898
Interest and dividend income	7,491	55,261	62,752
Realized and unrealized gains/(losses)	(18,743)	(120,652)	(139,395)
Investment fees	(1,970)	-	(1,970)
Amounts appropriated for expenditure	<u>(9,940)</u>	<u>(65,738)</u>	<u>(75,678)</u>
Endowment net assets, year ended December 31, 2018	\$ <u>193,427</u>	\$ <u>1,335,485</u>	\$ <u>1,528,912</u>

NOTE 11 – CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC"). At times during the year, cash and cash equivalent and investment balances may be in excess of FDIC coverage.

NOTE 12 – INCOME TAXES

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions made to the Foundation are qualified for the maximum tax deductions allowable under the United States Internal Revenue Code.

NOTE 15 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through **November 1, 2019**, the date that the financial statements were available to be issued