

THE JEWISH FOUNDATION OF
GREATER NEW HAVEN, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017 AND 2016

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

CONTENTS

| | <u>Page No.</u> |
|--|-----------------|
| Independent Auditor's Report..... | 1 - 2 |
| Exhibits: | |
| A Statements of Financial Position | 3 |
| B Statements of Activities and Changes in Net Assets | 4-5 |
| C Statements of Cash Flows | 6 |
| Notes to Financial Statements | 7 - 20 |

INDEPENDENT AUDITOR'S REPORT

Board of Trustees of
The Jewish Foundation of Greater New Haven, Inc.
360 Amity Road
Woodbridge, CT 06525

We have audited the accompanying financial statements of The Jewish Foundation of Greater New Haven, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 audits 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 The Jewish Foundation of Greater New Haven, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Teplitzky & Company P.C.".

Woodbridge, Connecticut

May 24, 2018

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

| | ASSETS | |
|---|----------------------|----------------------|
| | 2017 | 2016 |
| Assets | | |
| Cash and Cash Equivalents | \$ 99,227 | \$ 54,646 |
| Unconditional Promises to Give, Net of Allowances for Unfulfilled Promises of \$10,000 | 52,949 | 75,885 |
| Grant and Other Receivables | 15,821 | 66,330 |
| Note Receivable | 1,306,493 | 1,306,493 |
| Prepaid Expenses | 10,567 | 22,054 |
| Cash Surrender Value of Life Insurance | 171,283 | 167,390 |
| Investments | 50,905,477 | 49,728,338 |
| Property and Equipment, Net | 10,476 | 12,212 |
| Total Assets | <u>\$ 52,572,293</u> | <u>\$ 51,433,348</u> |

| | LIABILITIES AND NET ASSETS | |
|---|----------------------------|----------------------|
| | 2017 | 2016 |
| Liabilities | | |
| Accounts Payable | \$ 12,371 | \$ 54,506 |
| Accrued Liabilities and Allocations | 93,547 | 149,852 |
| Deferred Revenue | 4,355 | - |
| Liabilities Under Split Interest Agreements | 671,853 | 1,898,162 |
| Custodial Accounts | 11,232,466 | 12,917,402 |
| Total Liabilities | <u>12,014,592</u> | <u>15,019,922</u> |
| Net Assets | | |
| Without Donor Restrictions | | |
| Undesignated | 4,364,759 | 2,909,459 |
| Board Designated | 120,496 | 116,328 |
| Total Without Donor Restrictions | <u>4,485,255</u> | <u>3,025,787</u> |
| With Donor Restrictions | <u>36,072,446</u> | <u>33,387,639</u> |
| Total Net Assets | <u>40,557,701</u> | <u>36,413,426</u> |
| Total Liabilities and Net Assets | <u>\$ 52,572,293</u> | <u>\$ 51,433,348</u> |

See accompanying notes to the financial statements
Exhibit: A - Page 3

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | | 2016 | | |
|--|-------------------------------|----------------------------|-------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and Support | | | | | |
| Contributions | \$ 103,744 | \$ 1,888,224 | \$ 194,112 | \$ 1,826,421 | \$ 2,020,533 |
| Investment Return, Net | 781,694 | 4,656,789 | 1,271,533 | 261,480 | 1,533,013 |
| Other Grants and Contributions | 9,771 | - | 53,500 | - | 53,500 |
| Present Value Adjustments to Split-Interest Agreements | (9,729) | (96,094) | (9,728) | (46,937) | (56,665) |
| Net Assets Released from Restrictions | 3,764,112 | (3,764,112) | 1,317,545 | (1,317,545) | - |
| Total Revenue and Support | 4,649,592 | 2,684,807 | 2,826,962 | 723,419 | 3,550,381 |
| Expenses | | | | | |
| Grants and Charitable Distributions | | | | | |
| Grants from Donor Advised Funds | 1,372,206 | - | 936,290 | - | 936,290 |
| Charitable Distributions from Donor Restricted Funds | 952,423 | - | 922,585 | - | 922,585 |
| Other Fund Distributions | 112,056 | - | 125,215 | - | 125,215 |
| Grants from Unrestricted Funds | 94,225 | - | 241,608 | - | 241,608 |
| Charitable Distributions from Charitable Lead Trusts | 11,873 | - | 61,318 | - | 61,318 |
| Total Grants and Charitable Distributions | 2,542,783 | - | 2,287,016 | - | 2,287,016 |
| Foundation Programs | | | | | |
| Wages Taxes & Fringes | 9,572 | - | 17,867 | - | 17,867 |
| Marketing | 3,364 | - | 17,965 | - | 17,965 |
| Program Expenses | 2,418 | - | 4,623 | - | 4,623 |
| Professional Fees | 1,000 | - | 1,565 | - | 1,565 |
| Total Foundation Programs | 16,354 | - | 42,020 | - | 42,020 |

See accompanying notes to the financial statements
Exhibit: B - Page 4

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | | | 2016 | | |
|--------------------------------|----------------------------|-------------------------|---------------|----------------------------|-------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Management and General | | | | | | |
| Wages Taxes & Fringes | \$ 269,412 | - | \$ 269,412 | \$ 159,650 | - | \$ 159,650 |
| Program Expenses | 79,515 | - | 79,515 | 45,708 | - | 45,708 |
| Administrative Fees | 40,578 | - | 40,578 | 49,960 | - | 49,960 |
| Professional Fees | 39,718 | - | 39,718 | 40,612 | - | 40,612 |
| Marketing | 38,930 | - | 38,930 | 26,523 | - | 26,523 |
| Utilities | 2,556 | - | 2,556 | 9,578 | - | 9,578 |
| Bank and Payroll Fees | 2,437 | - | 2,437 | 5,621 | - | 5,621 |
| Depreciation | 1,736 | - | 1,736 | 1,509 | - | 1,509 |
| Total Management and General | 474,882 | - | 474,882 | 339,161 | - | 339,161 |
| Fundraising | | | | | | |
| Wages Taxes & Fringes | 98,325 | - | 98,325 | 99,015 | - | 99,015 |
| Program Expenses | 39,930 | - | 39,930 | 61,076 | - | 61,076 |
| Marketing | 14,185 | - | 14,185 | 26,010 | - | 26,010 |
| Utilities | 3,215 | - | 3,215 | 3,093 | - | 3,093 |
| Professional Fees | 450 | - | 450 | 8,106 | - | 8,106 |
| Total Fundraising | 156,105 | - | 156,105 | 197,300 | - | 197,300 |
| Total Expenses | 3,190,124 | - | 3,190,124 | 2,865,497 | - | 2,865,497 |
| Change in Net Assets | 1,459,468 | 2,684,807 | 4,144,275 | (38,535) | 723,419 | 684,884 |
| Net Assets - Beginning of Year | 3,025,787 | 33,387,639 | 36,413,426 | 3,064,322 | 32,664,220 | 35,728,542 |
| Net Assets - End of Year | \$ 4,485,255 | \$ 36,072,446 | \$ 40,557,701 | \$ 3,025,787 | \$ 33,387,639 | \$ 36,413,426 |

See accompanying notes to the financial statements
Exhibit: B - Page 5

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ 4,144,275 | \$ 684,884 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities: | | |
| Depreciation and Amortization | 1,736 | 1,509 |
| Net Realized and Unrealized Gains/Losses on Investments | (4,998,395) | (1,005,773) |
| Non-Cash Gifts Received | (963,198) | (534,332) |
| Net Increase in Cash Surrender Value of Life Insurance | (3,893) | (23,681) |
| Contributions Restricted to Long-Term Investments | (274,180) | (604,981) |
| Decrease (Increase) in Assets: | | |
| Unconditional Promises to Give | 22,936 | (12,757) |
| Grant and Other Receivables | 50,509 | (26,048) |
| Prepaid Expenses | 11,487 | (14,151) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (42,135) | (35,714) |
| Accrued Liabilities and Allocations | (56,305) | (33,241) |
| Deferred Revenue | 4,355 | - |
| Net Cash Used in Operating Activities | <u>(2,102,808)</u> | <u>(1,604,285)</u> |
| Cash Flows from Investing Activities: | | |
| Purchases of Property and Equipment | - | (2,050) |
| Purchases of Long-Term Investments | (38,757,430) | (19,811,270) |
| Proceeds from Sales of Long-Term Investments | 43,541,884 | 20,479,559 |
| Net Cash Provided by Investing Activities | <u>4,784,454</u> | <u>666,239</u> |
| Cash Flows from Financing Activities: | | |
| (Decrease) Increase in Custodial Accounts | (1,684,936) | 379,574 |
| Decrease in Split Interest Agreements | (1,226,309) | (56,665) |
| Proceeds from Contributions Restricted to Long-Term Investments | 274,180 | 604,981 |
| Net Cash (Used in) Provided by Financing Activities | <u>(2,637,065)</u> | <u>927,890</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 44,581 | (10,156) |
| Cash and Cash Equivalents - Beginning of Year | <u>54,646</u> | <u>64,802</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 99,227</u> | <u>\$ 54,646</u> |

See accompanying notes to the financial statements

Exhibit: C - Page 6

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Jewish Foundation of Greater New Haven, Inc. (the Foundation) is a nonprofit charitable organization described in Internal Revenue Code Section 501(c)(3). The Foundation is a Type 1 supporting organization to The Jewish Federation of Greater New Haven, Inc (the Federation). Located at 360 Amity Road in Woodbridge, Connecticut, the Foundation is supported by donor contributions and bequests.

Basis of Accounting

The Foundation prepares its financial statements in accordance with U.S. generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Net Asset Classification

The Foundation follows the accounting and reporting practices set forth in the Not-For-Profit Topic of the Accounting Standards Codifications (ASC) and ASU No. 2016-14. As such, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

Net Assets Without Donor Restrictions: Net assets without donor restrictions include unrestricted undesignated, board designated and expendable resources of The Foundation that are used for carrying on The Foundation's mission.

Undesignated Net Assets - Net assets without donor restrictions represent funds that are available for the support of the Foundation's operations that are not donor restricted.

Board Designated Net Assets - The Board may designate net assets without donor restrictions at its discretion.

Net Assets With Donor Restrictions: Net assets with donor restrictions include time and purpose restricted net assets and assets perpetual in nature.

Time and Purpose Restricted Net Assets - Net assets whose use by The Foundation is limited by Donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of The Foundation pursuant to these stipulations.

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation receives gifts of cash and other assets with donor stipulations that limit the use of the donated assets. For those donor-restricted cash contributions whose restrictions are met in the same fiscal year as the receipts, the contributions are reported as unrestricted contributions. Donor-restricted contribution, whose restrictions are not met in the same fiscal year, are recorded as net assets with donor restrictions. When the donor-restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, these assets are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Perpetual Restricted Net Assets - Perpetual restricted net assets consist of net assets whose use by The Foundation is limited by donor-imposed stipulations requiring such resources to be maintained in perpetuity. The income is used for operating or other donor-restricted purposes.

Contributed Services

A substantial number of volunteers, approximately 100 each year, donate their time and perform a variety of tasks that assist the Foundation. These services do not meet the criteria for recording as contributions under U.S. generally accepted accounting principles. During the years ended December 31, 2017 and 2016, the value of contributed services, meeting the requirements for recognition, in the financial statements is deemed not material and has not been recorded.

Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor, that are released from restrictions within the fiscal year in which the contributions are recognized, are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

The allowance method is used to determine uncollectible unconditional promise receivables. The allowance is based on prior years' experience and management's analysis of specific promises made.

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Investments

The Foundation's investments are stated at fair value. The Foundation's investments in mutual funds are valued at the net asset fair value of shares held. In addition, these funds have daily or monthly liquidity with trades settling between one to three days. Investments in common stock are valued using quoted market prices reported on the active market upon which the individual securities are traded. The fair values of the fixed income securities are determined based on valuations provided by an independent pricing service.

Dividend and interest income, as well as gains or losses on investments, are reported in the statement of activities as either increases or decreases in unrestricted net assets unless their use is temporarily restricted by donor stipulations or by law.

The Foundation's investments are monitored by the Foundation's Investment Committee and are executed in a manner consistent with policies and guidelines established by the Investment Committee and approved by the Board of Trustees. In addition to market risks, the Foundation is also exposed to credit losses up to the amount of the investments in the event of nonperformance by other parties to the investment transactions. However, nonperformance by the counterparties is not anticipated.

When an investment is received as a donation or bequest, the fair value is recorded as the cost of the investment. Net Investment returns are recorded in unrestricted net assets unless otherwise restricted by the contributors.

Custodial Accounts

The Foundation acts as an agent for other organizations for the purpose of being able to utilize the Foundation's investment expertise. The assets and the return on investment of those assets are to be used on behalf of the other organizations.

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Direct expenses are allocated, in total, to their respective programs. Indirect expenses are allocated to programs based on various equitable formula methods.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements and related notes. Actual results could differ from those estimates.

Federal Income Tax

The Foundation is a not-for-profit organization exempt from taxation under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation. The Foundation is required to file Federal Form 990 annually.

The Foundation believes that it has appropriate support for income tax positions taken. Therefore, management has not identified any uncertain income tax positions. Generally, income tax returns related to the last three years remain open for examination by taxing authorities.

New Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, Disclosures for Investments in Certain Entities that Calculated Net Asset Value per Share (or its Equivalent). The ASU eliminates the requirement to categorized investments in the fair value hierarchy if the fair value is measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance. For the Foundation, the ASU is effective for fiscal year ending December 31, 2017.

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In August 2016, FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Foundation has elected to early adopt this standard for the year ended December 31, 2017.

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give, are summarized as follows as of December 31:

| Unconditional Promises Expected to be Collected in: | 2017 | 2016 |
|---|------------------|------------------|
| Less Than One Year | \$ 22,032 | \$ 17,799 |
| One to Five Years | 40,917 | 68,086 |
| Less Allowance for Unfulfilled Promises | (10,000) | (10,000) |
| Unconditional Promises to Give | <u>\$ 52,949</u> | <u>\$ 75,885</u> |

NOTE 3 – GRANT AND OTHER RECEIVABLES

Management has reviewed grants, miscellaneous and interest income receivables and determined them to be collectible as of December 31, 2017 and 2016.

NOTE 4 – NOTE RECEIVABLE

Note receivable on December 31 is summarized as follows:

Camp Laurelwood

In March 2007, the Foundation granted Camp Laurelwood a line of credit of \$1,500,000. In January 2012, the Foundation converted the line of credit into a term loan using a variable interest rate linked to either; the Foundation's spending policy (4.00% for the year ended December 31, 2017) or the Wall Street Journal's

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 4 – NOTE RECEIVABLE (CONTINUED)

prime rate (4.50% as of December 31, 2017), whichever is greater. The outstanding balance on this note as of December 31, 2017 and 2016 is \$1,306,493. The note is secured by a mortgage on the property owned by Camp Laurelwood. Future principal and interest payments on the outstanding balance are amortized until the year 2036. On December 15, 2015 the Foundation's Board of Trustees approved a modification to the Camp Laurelwood Note Receivable. The modification consists of no payments until February 1, 2016, then beginning February 1, 2016 to January 31, 2017 interest only payments at half the spending policy of the Jewish Foundation of Greater New Haven, Inc. for the prior fiscal year, then February 1, 2017 to January 2025 interest only increases to the full spending policy, adjustable annually, and then on February 1, 2025 the Note Receivable will be amortized on a 30 year schedule, adjustable annually, with an interest rate equal to the spending policy.

The aggregate annual maturities of the Note Receivable as of December 31, 2017 are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------------|
| 2018 | \$ - |
| 2019 | - |
| 2020 | - |
| 2021 | - |
| 2022 | - |
| Thereafter | <u>1,306,493</u> |
| Total | <u>\$ 1,306,493</u> |

NOTE 5 – LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

The investments of the Foundation consist primarily of cash and cash equivalents, mutual funds, hedge funds, limited partnerships and fixed income securities. In accordance with its approved investment practices and policies, investments held by the Foundation are to be conservative and diversified in order to preserve capital, achieve the proper liquidity requirement of the Foundation and avoid inappropriate concentration of credit and interest rate risk, while striving to maximize returns.

The Foundation reports its equity and fixed income investments at fair market value. Unrealized gains and losses are included as a component of investment return, net in the accompanying statements of activities.

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 5 – LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS
(CONTINUED)

The Fair Value Measurement Topic of the FASB ASC defines fair values 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

The following is a description of the Foundation's valuation methodologies for assets measured at fair value.

Mutual Funds Equities: Mutual funds are valued at the quoted net asset value of shares reported in the active market in which the mutual funds are traded.

Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the organization believes its valuation method is 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 JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 5 – LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS
(CONTINUED)

Investment assets at fair value as of December 31, 2017:

| | Quoted Prices For Identical Assets in Active Markets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 | Value Using Net Asset Value | Total |
|---------------------------------|--|---|--|-----------------------------------|---------------|
| Mutual Fund | | | | | |
| Equity | | | | | |
| Foreign Large Blend | \$ - | \$ - | \$ - | \$ 6,571,497 | \$ 6,571,497 |
| Emerging Markets | - | - | - | 1,391,486 | 1,391,486 |
| Domestic Large Blend | - | - | - | 9,515,312 | 9,515,312 |
| Domestic Equity | | | | | |
| Limited Partnership | - | 6,207,768 | - | - | 6,207,768 |
| International Equity | | | | | |
| Limited Partnership | - | 5,231,436 | - | - | 5,231,436 |
| Fixed Income | | | | | |
| Mortgage Backed Securities | 4,056,164 | - | - | - | 4,056,164 |
| Domestic Governmental Bonds | 1,374,458 | - | - | - | 1,374,458 |
| International Bonds | 436,621 | - | - | - | 436,621 |
| Opportunistic Fund | 618,344 | - | - | - | 618,344 |
| U.S. Bonds | 85,355 | - | - | - | 85,355 |
| Multi-Sector Credit | | | | | |
| Limited Partnership | - | 5,470,349 | - | - | 5,470,349 |
| Private Equity | | | | | |
| Limited Partnership | - | - | 2,567,958 | - | 2,567,958 |
| Private Credit | | | | | |
| Limited Partnership | - | - | 300,000 | - | 300,000 |
| Private Real Assets | | | | | |
| Limited Partnership | - | - | 498,216 | - | 498,216 |
| Natural Resources | - | - | 714,212 | - | 714,212 |
| Marketable Alternatives | | | | | |
| Hedge Funds | - | - | 3,662,880 | - | 3,662,880 |
| Opportunistic Fund | - | - | 1,326,475 | - | 1,326,475 |
| Total Investments at fair value | 6,570,942 | 16,909,553 | 9,069,741 | 17,478,295 | 50,028,531 |
| Cash Held by Portfolio Managers | 876,946 | - | - | - | 876,946 |
| Total Investments | \$ 7,447,888 | \$ 16,909,553 | \$ 9,069,741 | \$ 17,478,295 | \$ 50,905,477 |

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 5 – LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS
(CONTINUED)

Investment assets at fair value as of December 31, 2016:

| | Quoted Prices For Identical Assets in Active Markets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 | Valued Using Net Asset Value | Total |
|---------------------------------|--|---|--|------------------------------------|---------------|
| Mutual Fund | | | | | |
| Equity | \$ - | \$ - | \$ - | \$ 17,857,332 | \$ 17,857,332 |
| Domestic Equity | | | | | |
| Limited Partnership | - | 1,767,774 | - | - | 1,767,774 |
| International Equity | | | | | |
| Limited Partnership | - | 164,398 | - | - | 164,398 |
| Fixed Income Securities | | | | | |
| Global | 9,558,579 | - | - | - | 9,558,579 |
| Opportunistic Fund | 1,812,724 | - | - | - | 1,812,724 |
| Real Assets | 1,816,589 | - | - | - | 1,816,589 |
| U.S. Bonds | 83,282 | - | - | - | 83,282 |
| Private Equity | | | | | |
| Global Private Equity | - | 1,231,845 | - | - | 1,231,845 |
| Private Real Assets | | | | | |
| Limited Partnership | - | - | 3,285,742 | - | 3,285,742 |
| Natural Resources | - | - | 643,488 | - | 643,488 |
| Marketable Alternatives | | | | | |
| Hedge Funds | - | - | 10,672,543 | - | 10,672,543 |
| Total Investments at fair value | 13,271,174 | 3,164,017 | 14,601,773 | 17,857,332 | 48,894,295 |
| Cash Held by Portfolio Managers | 834,042 | - | - | - | 834,042 |
| Total Investments | \$ 14,105,216 | \$ 3,164,017 | \$ 14,601,773 | \$ 17,857,332 | \$ 49,728,338 |

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 5 – LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS
(CONTINUED)

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Foundation evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits.

Interest and investment income, net, is comprised of the following for the years ended December 31, 2017 and 2016 respectively:

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Dividend and Interest Income, Net | \$ 408,696 | \$ 443,453 |
| Foundation Administration Fee | 370,296 | 365,004 |
| Net Increase in the Fair Value of Investments | 5,029,787 | 1,089,560 |
| Subtotal | 5,808,779 | 1,898,017 |
| Less: Foundation Administration Fee | (370,296) | (365,004) |
| Total | <u>\$ 5,438,483</u> | <u>\$ 1,533,013</u> |

Realized gains and losses on investments represent the change in market value from the balance sheet date to the date of sale. Changes in market value for investments held by the Foundation are reflected as a net increase or decrease in the fair value of investments, a component of investment return in the accompanying statements of activities.

Net investment revenues are netted against management investment expenses, including custodial fees and investment advisory fees paid which amounted to \$52,020 and \$97,320 for the years ended December 31, 2017 and 2016 respectively.

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 5 – LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS
(CONTINUED)

Below is the investment liquidity schedule as of December 31, 2017:

| TOTAL MANAGED PORTFOLIO | Market Value | % | Liquid/Illiquid |
|---|----------------------|-------------|--------------------------|
| CASH | \$ 1,213,630 | 2% | |
| FIRST AMERICAN GOVERNMENT OBLIG - Z | 301,243 | 1% | Liquid |
| ARCHSTONE OFFSHORE FUND, LTD: REDEMPTION RECEIVABLE | 855,664 | 2% | Illiquid/Pending Payment |
| ANCHORAGE CAPITAL PARTNERS: REDEMPTION RECEIVABLE | 52,196 | 0% | Illiquid/Pending Payment |
| MASON CAPITAL - HOLDBACK | 4,527 | 0% | Illiquid/Pending Payment |
| CORE FIXED INCOME | 6,048,966 | 12% | Liquid |
| DOUBLELINE TOTAL RETURN BOND FUND I | 1,566,366 | 3% | |
| GUGGENHEIM TOTAL RETURN BOND FUND INST | 1,287,695 | 3% | |
| ISHARES CORE U.S. AGGREGATE | 1,059,845 | 2% | |
| METROPOLITAN WEST TOTAL RETURN BOND FUND | 618,344 | 1% | |
| ISHARES BARCLAYS 20+ YEAAR TR | 314,613 | 1% | |
| DOUBLE LINE LOW DURATION BOND FUND | 600,693 | 1% | |
| GUGGENHEIM-LIMIT DURATION-I | 601,410 | 1% | |
| MULTI-SECTOR CREDIT | 5,470,349 | 11% | Semi-Liquid |
| SCS MULTI-SECTOR CREDIT OFFSHORE, LTD | 4,110,484 | 8% | |
| BREVET SHORT DURATION FUND, LTD | 871,197 | 2% | |
| GUGGENHEIM OPPORTUNISTIC INCOME, LTD | 488,668 | 1% | |
| PUBLIC EQUITY | 28,917,499 | 58% | Liquid |
| VANGUARD TOTAL STOCK MARKET INDEX FUND | 9,515,312 | 19% | |
| SCS US EQUITY FUND, LLC | 6,207,768 | 12% | |
| VANGUARD FTSE DEVELOPED MARKETS ETF | 6,571,497 | 13% | |
| SCS INTERNATIONAL EQUITY FUND, LLC | 5,231,436 | 10% | |
| VANGUARD FTSE EMERGING MARKETS ETF | 1,391,486 | 3% | |
| HEDGE FUNDS | 4,133,691 | 8% | Semi-Liquid |
| SCS OPPORTUNITIES FUND, LTD | 1,326,475 | 3% | |
| SCS SPECIAL SITUATIONS FUND, LTD | 1,319,728 | 3% | |
| FORESTER DIVERSIFIED, LTD | 910,879 | 2% | |
| ARCHSTONE OFFSHORE FUND, LTD | 505,603 | 1% | |
| OZ OVERSEAS FUND II LTD | 71,006 | 0% | |
| PRIVATE CREDIT | 300,000 | 1% | Illiquid |
| GOLUB CAPITAL PARTNERS INT'L XL, LP. | 300,000 | 1% | |
| PRIVATE REAL ASSETS | 1,212,428 | 2% | Illiquid |
| VENTURE INVST ASSOC III LP | 498,216 | 1% | |
| PARK STREET CAPITAL NATURAL RESOURCES FUND V, LP | 391,094 | 1% | |
| COMMONG FUND NATURAL RESOURCES PARTNERS VIII, LP | 323,118 | 1% | |
| PRIVATE EQUITY | 2,567,958 | 5% | Illiquid |
| SCS PRIVATE EQUITY IV (CAYMAN), LP | 1,388,125 | 3% | |
| PARK STREET CAPITAL PRIVATE EQUITY FUND X, LP | 488,938 | 1% | |
| LANDMARK EQUITY PARTNERS XIV, LP | 328,779 | 1% | |
| LANDMARK EQUITY PARTNERS IV, LP | 362,116 | 1% | |
| TOTAL MANAGED PORTFOLIO | 49,864,521 | 100% | |
| ISRAEL BONDS | 436,621 | 1% | |
| NON-POOLED ASSETS | 604,335 | 1% | |
| TOTAL CONSOLIDATED PORTFOLIO | \$ 50,905,477 | | |

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 5 – LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS
(CONTINUED)

Private equity, private real asset and private credit investments are made with a long-term perspective, or generally about ten to twelve years in duration with two one-year extensions. These investments are illiquid in nature and not eligible for redemption. Fair value and other restrictions, as well as remaining commitments related to illiquid private equity, private real asset and private credit investments are summarized and disclosed in the following table:

| | Fair Value | Remaining Commitment | Redemption Frequency | Redemption Notice Period |
|---|---------------------|-------------------------|-------------------------|--------------------------------|
| Global Private Equity | | | | |
| Landmark Equity Partners XIV | \$ 328,779 | \$ 37,628 | Illiquid | N/A |
| Park Street Capital Private Equity Fund | 488,938 | 52,500 | Illiquid | N/A |
| Landmark Equity Partners XV | 362,116 | 444,297 | Illiquid | N/A |
| SCS Private Equity IV (Cayman), LP | 1,388,125 | 2,615,914 | Illiquid | N/A |
| Total Global Private Equity | <u>2,567,958</u> | <u>3,150,339</u> | | |
| Private Real Assets | | | | |
| Common fund Natural Resources | 323,118 | 28,000 | Illiquid | N/A |
| Park Street Capital Natural Resources | 391,094 | 33,750 | Illiquid | N/A |
| VIA Energy Fund III | 498,216 | 490,000 | Illiquid | N/A |
| Total Private Real Assets | <u>1,212,428</u> | <u>551,750</u> | | |
| Private Credit | | | | |
| Golub Capital Partners Int'l XI, L.P. | 300,000 | 700,000 | Illiquid | N/A |
| Total Private Credit | <u>300,000</u> | <u>700,000</u> | | |
| Total Illiquid Investments | <u>\$ 4,080,386</u> | <u>\$ 4,402,089</u> | | |

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is being provided by use of the straight-line method over the assets' estimated useful lives as follows:

| | Estimated Life in Years | 2017 | 2016 |
|-----------------------------------|----------------------------|------------------|------------------|
| Furniture, Fixtures and Equipment | 5-15 Years | \$ 73,665 | \$ 73,665 |
| Less: Accumulated Depreciation | | <u>(63,189)</u> | <u>(61,453)</u> |
| Total | | <u>\$ 10,476</u> | <u>\$ 12,212</u> |

Depreciation expense for the year ended December 31, 2017 and 2016 is \$1,736 and \$1,509 respectively.

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 7 – SPLIT-INTEREST AGREEMENTS

The Foundation's split-interest agreements with donors consist of charitable gift annuities, charitable lead trusts and irrevocable charitable remainder trusts for which the Foundation serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance to the respective donor agreements. Contribution revenues for charitable gift annuities, charitable remainder trusts, and charitable lead trusts are recognized on the date the agreements are established after recording liabilities for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. Assets held in split-interest agreements totaled \$748,606 and \$1,993,882 on December 31, 2017 and 2016 respectively and are reported at fair market value in the Foundation's statement of financial position. During the year 2017, a lead trust matured and was distributed per the trust agreement in the amount of \$1,084,485. On an annual basis, the Foundation revalues the liabilities to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments are \$671,853 and \$1,898,162 at December 31, 2017 and 2016 respectively, calculated using discount rates and applicable mortality tables.

NOTE 8 – NET ASSETS

Net assets without donor restrictions of \$4,485,255 and \$3,025,787 for the years ended December 31, 2017 and 2016, respectively include net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as board designations. Board designated net assets, totaled \$120,496 and \$116,328 for the years ended December 31, 2017 and 2016, respectively.

Changes in net assets with donor restrictions during the year ended December 31, 2017, are as follows:

| | <u>2016</u> | <u>Additions</u> | <u>Transferred</u> | <u>Released</u> | <u>2017</u> |
|-----------------------------|----------------------|---------------------|--------------------|-----------------------|----------------------|
| Philanthropic Funds | \$ 4,770,409 | \$ 2,247,145 | \$ 162,620 | \$ (1,293,297) | \$ 5,886,878 |
| Charitable Remainder Trusts | 1,502,914 | 88,526 | - | (1,130,128) | 461,312 |
| Charitable Gift Annuities | 490,968 | 40,390 | (165,778) | (78,286) | 287,294 |
| Tzedakah Funds | 217,876 | 31,834 | - | (3,544) | 246,166 |
| Miscellaneous Funds | 1,283,466 | 3,804,441 | 3,158 | (1,258,857) | 3,832,208 |
| Perpetual Restricted Funds | 25,122,005 | | | (236,583) | 25,358,588 |
| Total | <u>\$ 33,387,639</u> | <u>\$ 6,212,336</u> | <u>\$ -</u> | <u>\$ (4,000,695)</u> | <u>\$ 36,072,446</u> |

THE JEWISH FOUNDATION OF GREATER NEW HAVEN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 9 – CONCENTRATION OF CREDIT RISK DEBT

Credit Risk

The Foundation maintains demand deposits and money market funds at financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Consequently, the failure of an institution could result in financial loss. However, the Foundation has not experienced any losses on these accounts in the past, and management believes the risk of loss, if any, to be minimal.

Market Risk

The Foundation invests in a diverse professionally managed portfolio of investments. Such investments are exposed to potential market volatility. Therefore, the Foundation's investments may be subject to significant fluctuations in fair value. Consequently, the investment amounts reported in the accompanying financial statements may not be reflective of the portfolio's fair value during subsequent periods.

NOTE 10 – STATEMENTS OF CASH FLOWS

Supplemental disclosure of cash flow information:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|-------------|-------------|
| Interest Paid During the Year | \$ - | \$ - |
| Non Cash Gifts received | \$ 963,198 | \$ 534,332 |

NOTE 11 – SUBSEQUENT EVENTS

The Foundation evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued for potential recognition in the financial statements. As of the balance sheet date, for the year ended December 31, 2017, the Foundation evaluated subsequent events through May 24, 2018 which is the date the financial statements were issued. No events occurred that require disclosure or adjustment to the financial statements.