

**Jewish Community Investment
Fund (Associated Jewish
Charities of Baltimore, Trustee)**

Special-Purpose Financial Report
June 30, 2019

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Independent Auditor's Report

To the Board of Directors
Associated Jewish Charities of Baltimore

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of the Jewish Community Investment Fund (JCIF) (Associated Jewish Charities of Baltimore (AJCB), trustee), which comprise the special-purpose statements of assets, liabilities and net assets as of June 30, 2019 and 2018, the special-purpose statements of changes in net assets for the years then ended, the special-purpose schedules of investments as of June 30, 2019 and 2018, and the related notes to the special-purpose financial statements (collectively, the financial statements).

Management's Responsibility for the Special-Purpose 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 assets, liabilities and net assets, including the schedules of investments, of the JCIF as of June 30, 2019 and 2018, and the related changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation and Emphasis of Matter

As described in Note 1 to the special-purpose financial statements, the accompanying special-purpose financial statements were prepared for the purpose of presenting the assets, net assets and changes in net assets of the JCIF and the Consolidated Investment Fund (CIF) of AJCB, and are not intended to be solely a presentation of the JCIF. Our opinion is not modified with respect to this matter.

Other Matter

We have audited the combined financial statements of The Associated: Jewish Community Federation of Baltimore, Inc., Associated Jewish Charities of Baltimore and Jewish Community Investment Fund (collectively referred to as The Associated) as of and for the years ended June 30, 2019 and 2018.

Restriction on Use

This report is intended solely for the information and use of The Associated Jewish Charities of Baltimore, The Associated: Jewish Community Federation of Baltimore, Inc., its investors, creditors, custodians and advisors; including, but not limited to, Bank of America, N.A., Branch Banking & Trust and Wilmington Trust.

RSM US LLP

Baltimore, Maryland
November 25, 2019

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

**Special-Purpose Statements of Assets, Liabilities and Net Assets
June 30, 2019 and 2018**

| | 2019 | 2018 |
|--|-----------------------|----------------|
| Assets | | |
| Investments at fair value (cost of \$384,478,234 in 2019; \$394,441,066 in 2018) | \$ 617,327,022 | \$ 641,459,980 |
| Total assets | \$ 617,327,022 | \$ 641,459,980 |
| Liabilities and Net assets | | |
| Liabilities: | | |
| Redemptions payable | \$ 16,818,821 | \$ - |
| Net assets applicable to The Associated Jewish Charities of Baltimore: | | |
| Unrestricted funds | 21,232,409 | 30,452,858 |
| Annual campaign endowment funds | 24,289,111 | 24,783,067 |
| Designated funds for constituent agencies and program services | 66,601,374 | 64,974,201 |
| Donor Advised Funds | 126,027,869 | 121,045,887 |
| Total net assets applicable to The Associated Jewish Charities of Baltimore | 238,150,763 | 241,256,013 |
| Assets owned by constituent agencies: | | |
| Jewish Museum of Maryland, Inc. | 5,852,892 | 6,101,674 |
| Jewish Community Services, Inc. | 7,794,816 | 7,912,509 |
| Comprehensive Housing Assistance, Inc. | 1,384,758 | 1,862,138 |
| Elijah Cummings Youth Program in Israel, Inc. | 1,531,506 | 1,581,080 |
| Hebrew Free Loan Association of Baltimore City, Inc. | 958,109 | 943,130 |
| Jewish Community Center of Baltimore, Inc. | 638,445 | 648,135 |
| Maryland/Israel Development Center, Inc. | 590,618 | 581,384 |
| Center for Jewish Education, Inc. | 309,487 | 320,392 |
| Total net assets applicable to constituent agencies | 19,060,631 | 19,950,442 |
| Assets owned by unrelated organizations: | | |
| Net assets of other foundations | 146,522,109 | 156,160,858 |
| Baltimore Jewish Eldercare Foundation | 9,923,256 | 10,203,524 |
| The Baltimore Jewish Health Foundation, Inc. | 43,053,108 | 44,371,267 |
| Funds of other nonprofit organizations | 143,798,334 | 169,517,876 |
| Total other net assets | 343,296,807 | 380,253,525 |
| Total liabilities and net assets | \$ 617,327,022 | \$ 641,459,980 |

See notes to special-purpose financial statements.

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

**Special-Purpose Statements of Changes in Net Assets
Years Ended June 30, 2019 and 2018**

| | 2019 | 2018 |
|---|------------------------------|------------------------------|
| Capital transactions activity: | | |
| Proceeds from contributions | \$ 33,914,192 | \$ 64,103,372 |
| Withdrawals | <u>(70,640,833)</u> | <u>(81,780,627)</u> |
| Capital transactions, net | <u>(36,726,641)</u> | <u>(17,677,255)</u> |
| Investment income and expenses: | | |
| Dividends, interest and other income | 6,423,539 | 5,041,184 |
| Administrative expenses | <u>(3,110,933)</u> | <u>(3,114,850)</u> |
| Trustee commissions, professional and advisory service fees | <u>(934,307)</u> | <u>(452,193)</u> |
| Investment income and expenses, net | <u>2,378,299</u> | <u>1,474,141</u> |
| Realized and unrealized appreciation of investments: | | |
| Net realized appreciation in fair value | 24,385,510 | 17,273,427 |
| Net unrealized (depreciation) appreciation in fair value | <u>(14,170,126)</u> | <u>30,286,100</u> |
| Net appreciation of investments | <u>10,215,384</u> | <u>47,559,527</u> |
| | | |
| Total (decrease) increase in net assets | (24,132,958) | 31,356,413 |
| Net assets: | | |
| Beginning of year | <u>641,459,980</u> | <u>610,103,567</u> |
| End of year | <u>\$ 617,327,022</u> | <u>\$ 641,459,980</u> |

See notes to special-purpose financial statements.

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

**Special-Purpose Schedule of Investments
June 30, 2019**

| | Shares | Fair Value | Percent of Net Assets |
|--|------------|--------------------|-----------------------------|
| U.S. equity: | | | |
| Adage Capital Partners, L.P. | 11,271 | \$ 86,425,184 | 14.00% |
| T. Rowe Price Equity | 727,808 | 44,076,054 | 7.14% |
| East Side Capital Offshore, LTD | 65,901 | 16,265,497 | 2.64% |
| Eagle Capital Management (*) | | 15,268,109 | 2.47% |
| Rutabaga Small Cap Fund, L.P. | 10,000,000 | 14,561,430 | 2.36% |
| Subtotal (cost, \$67,306,446) | | 176,596,274 | 28.61% |
| Global: | | | |
| Silchester International Investors | 256,293 | 34,901,767 | 5.65% |
| Viking Long Fund III, Ltd. | 9,931 | 28,901,820 | 4.68% |
| Lone Cascade, L.P. | 5,000 | 22,547,974 | 3.65% |
| Johnston International Equity Fund II, LP | 20,750,925 | 20,750,925 | 3.36% |
| Kabouter International Opportunities Fund II, LLC | 14,693,350 | 20,745,839 | 3.36% |
| Tiger Global Long Opportunities, Ltd. | 65,727 | 9,732,036 | 1.58% |
| Subtotal (cost, \$75,586,977) | | 137,580,361 | 22.28% |
| Multi-strategy: | | | |
| Elliott International Limited | 15,823 | 22,245,298 | 3.60% |
| Tiger Global, Ltd. | 12,564 | 17,929,933 | 2.90% |
| Tilden Park Offshore Investment Fund Ltd | 9,098 | 14,726,894 | 2.39% |
| Millennium International, Ltd. | 10,706 | 12,861,898 | 2.08% |
| Echo Street Capital Partners Offshore Ltd. | 12,000,000 | 12,811,730 | 2.08% |
| HSCM Bermuda Fund Ltd. | 12,020 | 12,641,308 | 2.05% |
| Stone Milliner Macro Fund Inc. | 84,445 | 12,165,216 | 1.97% |
| Senator Global Opportunity Offshore Fund LTD | 4,451 | 12,015,966 | 1.95% |
| Renaissance Institutional Diversified Global Equities Onshore Fund L.P. | 12,000,000 | 12,013,658 | 1.95% |
| Highfields Capital IV LP | 449 | 1,651,106 | .27% |
| Luxor Capital Partners Offshore, Ltd. | 98,879 | 98,879 | .02% |
| Subtotal (cost, \$102,226,739) | | 131,161,886 | 21.26% |
| Emerging markets: | | | |
| WGI Emerging Markets Fund, LLC | 803,985 | 28,996,007 | 4.70% |
| Somerset Small Mid Cap EM All Country Fund LLC | 11,000,000 | 12,506,827 | 2.03% |
| Subtotal (cost, \$23,000,000) | | 41,502,834 | 6.73% |

(*) Managed accounts, which include money market funds and equities (see Note 2 for industry classification).

(Continued)

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

**Special-Purpose Schedule of Investments (Continued)
June 30, 2019**

| | Shares | Fair Value | Percent of Net Assets |
|---|------------|-----------------------|-----------------------------|
| Venture capital/private equity: | | | |
| Greenspring Global Partners VI, L.P. | 4,400,000 | \$ 7,183,171 | 1.16% |
| Greenspring Global Partners VII, L.P. | 4,150,000 | 4,813,355 | .78% |
| Camden Partners Strategic Fund IV, L.P. | 10,000,000 | 3,878,778 | .63% |
| Greenspring Secondaries Fund III, L.P. | 3,716,340 | 3,777,107 | .61% |
| Tiger Global Private Investment Partners XI, L.P. | 3,150,000 | 3,202,660 | .52% |
| Greenspring Opportunities V, L.P. | 2,640,000 | 2,824,091 | .46% |
| Commonfund Capital International Partners VI, L.P. | 9,325,000 | 2,545,331 | .41% |
| Greenspring Global Partners VIII, L.P. | 873,350 | 951,513 | .15% |
| Endowment Venture Partners V, L.P. | 15,431,288 | 764,361 | .12% |
| Commonfund Capital Private Equity Partners VI, L.P. | 4,750,250 | 693,464 | .11% |
| Commonfund Capital Private Partners Equity V, L.P. | 5,790,000 | 504,198 | .08% |
| Greenspring Global Partners IX-B, L.P. | 348,606 | 348,606 | .06% |
| Camden Partners Strategic Fund III, L.P. | 5,000,000 | 71,655 | .01% |
| Subtotal (cost, \$20,456,967) | | 31,558,290 | 5.10% |
| Private debt: | | | |
| Golub Capital Partners International 11, L.P. | 3,000,000 | 3,171,926 | .51% |
| TCW Direct Lending LLC | 50,000 | 2,051,149 | .33% |
| TCW Direct Lending VII LLC | 50,000 | 1,708,481 | .28% |
| AG Direct Lending Fund III | 1,615,034 | 1,622,253 | .26% |
| Sandton Credit Solutions Offshore IV, LP | 1,205,505 | 1,251,493 | .20% |
| Subtotal (cost, \$9,354,505) | | 9,805,302 | 1.58% |
| Hard assets: | | | |
| Harvest MLP Income Fund III LLC | 10,400,000 | 12,727,351 | 2.06% |
| Panco Strategic Real Estate Fund IV-R, LP | 1,342,006 | 1,372,644 | .22% |
| Subtotal (cost, \$11,742,006) | | 14,099,995 | 2.28% |
| Fixed income: | | | |
| Wells Fargo Advantage Return Bond Fund | 2,568,064 | 33,521,416 | 5.43% |
| Corbyn (*) | | 19,724,838 | 3.20% |
| Vanguard Short-Term Bond Fund | 764,538 | 8,050,664 | 1.30% |
| Subtotal (cost, \$61,079,432) | | 61,296,918 | 9.93% |
| Money market fund: | | | |
| Wilmington U.S. Government Money Market Fund | 13,725,162 | 13,725,162 | 2.23% |
| Subtotal (cost, \$13,725,162) | | 13,725,162 | 2.23% |
| Total investments at June 30, 2019 (cost, \$384,478,234) | | \$ 617,327,022 | 100.00% |

(*) Managed accounts, which include money market funds and equities (see Note 2 for industry classification).

See notes to special-purpose financial statements.

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

**Special-Purpose Schedule of Investments
June 30, 2018**

| | Shares | Fair Value | Percent of Net Assets |
|---|------------|--------------------|-----------------------|
| U.S. equity: | | | |
| Adage Capital Partners, L.P. | 15,551 | \$ 82,156,069 | 12.82% |
| T. Rowe Price Equity | 659,850 | 37,783,037 | 5.89% |
| East Side Capital Offshore, LTD | 65,901 | 17,759,109 | 2.77% |
| Rutabaga Small Cap Fund, L.P. | 10,000,000 | 17,145,865 | 2.67% |
| Eagle Capital Management (*) | | 13,827,365 | 2.16% |
| Subtotal (cost, \$65,027,896) | | 168,671,445 | 26.31% |
| Global: | | | |
| Silchester International Investors | 258,621 | 35,938,847 | 5.60% |
| Lone Cascade, L.P. | 10,000 | 28,754,521 | 4.48% |
| Viking Long Fund III, Ltd. | 9,931 | 25,856,398 | 4.03% |
| Kabouter International Opportunities Fund II, LLC | 14,693,350 | 22,515,910 | 3.51% |
| Johnston International Equity Fund II, LP | 20,346,737 | 20,346,737 | 3.17% |
| Tiger Global Long Opportunities, Ltd. | 65,727 | 8,558,016 | 1.33% |
| Subtotal (cost, \$80,182,789) | | 141,970,429 | 22.12% |
| Multi-strategy: | | | |
| Highfields Capital IV LP | 7,509 | 27,640,200 | 4.31% |
| Elliott International Limited | 11,620 | 15,883,479 | 2.48% |
| Tilden Park Offshore Investment Fund Ltd | 9,098 | 14,634,349 | 2.28% |
| Tiger Global, Ltd. | 12,564 | 13,924,543 | 2.17% |
| Millennium International, Ltd. | 10,622 | 12,514,642 | 1.95% |
| Stone Milliner Macro Fund Inc. | 84,445 | 12,214,669 | 1.90% |
| Senator Global Opportunity Offshore Fund LTD | 4,453 | 11,544,599 | 1.80% |
| Scopia PX International Limited | 5,205 | 10,700,555 | 1.67% |
| Highline Capital International, Ltd. | 53,194 | 10,134,779 | 1.58% |
| Greenlight Capital Offshore (Gold), Ltd. | 1,182 | 8,536,801 | 1.33% |
| Subtotal (cost, \$87,766,210) | | 137,728,616 | 21.47% |
| Emerging markets: | | | |
| WGI Emerging Markets Fund, LLC | 813,288 | 29,974,959 | 4.67% |
| Somerset Small Mid Cap EM All Country Fund LLC | 11,000,000 | 12,511,953 | 1.95% |
| Capital Group Emerging Markets Total Opportunities Common Trust (U.S.) | 1,041,928 | 8,953,116 | 1.40% |
| Subtotal (cost, \$32,345,840) | | 51,440,028 | 8.02% |

(*) Managed accounts, which include money market funds and equities (see Note 2 for industry classification).

(Continued)

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

**Special-Purpose Schedule of Investments (Continued)
June 30, 2018**

| | Shares | Fair Value | Percent of Net Assets |
|---|------------|-----------------------|-----------------------|
| Venture capital/private equity: | | | |
| Camden Partners Strategic Fund V-A, L.P. | 7,387,500 | \$ 8,698,356 | 1.36% |
| Greenspring Global Partners VI, L.P. | 3,900,000 | 5,267,779 | .82% |
| Camden Partners Strategic Fund IV, L.P. | 10,000,000 | 5,239,712 | .82% |
| Commonfund Capital International Partners VI, L.P. | 9,300,000 | 3,593,294 | .56% |
| Greenspring Global Partners VII, L.P. | 3,400,000 | 3,480,978 | .54% |
| Endowment Venture Partners V, L.P. | 15,431,288 | 1,421,451 | .22% |
| Commonfund Capital Private Equity Partners VI, L.P. | 4,735,250 | 1,242,909 | .19% |
| Commonfund Capital Private Partners Equity V, L.P. | 5,790,000 | 780,175 | .12% |
| Greenspring Secondaries Fund III, L.P. | 754,040 | 754,040 | .12% |
| Greenspring Opportunities V, L.P. | 560,000 | 551,892 | .09% |
| Greenspring Global Partners VIII, L.P. | 314,406 | 299,911 | .05% |
| Camden Partners Strategic Fund III, L.P. | 5,000,000 | 81,939 | .01% |
| Subtotal (cost, \$17,738,355) | | 31,412,436 | 4.90% |
| Private debt: | | | |
| TCW Direct Lending LLC | 50,000 | 2,695,612 | .42% |
| Golub Capital Partners International 11, L.P. | 1,500,000 | 1,539,371 | .24% |
| Sandton Credit Solutions Offshore IV, LP | 899,249 | 844,509 | .13% |
| Subtotal (cost, \$4,280,085) | | 5,079,492 | .79% |
| Hard assets: | | | |
| Harvest MLP Income Fund III LLC | 10,400,000 | 12,698,286 | 1.98% |
| Prudential Jennison Natural Resources Fund | 211,663 | 8,741,673 | 1.36% |
| Van Eck Global Hard Asset Fund | 218,672 | 8,259,253 | 1.29% |
| Subtotal (cost, \$29,848,326) | | 29,699,212 | 4.63% |
| Fixed income: | | | |
| Wells Fargo Advantage Return Bond Fund | 3,133,600 | 39,114,508 | 6.10% |
| Corbyn (*) | | 19,206,020 | 2.99% |
| Vanguard Short-Term Bond Fund | 1,233,599 | 12,661,454 | 1.97% |
| Subtotal (cost, \$72,775,225) | | 70,981,982 | 11.06% |
| Money market fund: | | | |
| Wilmington U.S. Government Money Market Fund | 4,476,340 | 4,476,340 | .70% |
| Subtotal (cost, \$4,476,340) | | 4,476,340 | .70% |
| Total investments at June 30, 2018 (cost, \$394,441,066) | | \$ 641,459,980 | 100.00% |

(*) Managed accounts, which include money market funds and equities (see Note 2 for industry classification).

See notes to special-purpose financial statements.

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

Notes to Special-Purpose Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Jewish Community Investment Fund (JCIF) holds substantially all the endowment assets of the AJCB, The Associated: Jewish Community Federation of Baltimore, Inc. and its constituent agencies (collectively referred to as The Associated) and endowment assets of other nonprofit organizations which share a similar mission.

On October 24, 2013, the AJCB created the JCIF, a Maryland business trust, with the AJCB named as sole trustee. The purpose of the JCIF was to replace the Consolidated Investment Fund (CIF) as the investment fund of the AJCB. The transfer of assets began in March 2014 and continued through June 30, 2015. As of June 30, 2019 and 2018, the schedules include the assets of the JCIF and CIF. As of June 30, 2019 and 2018, 41 and 37 accounts, respectively, (totaling \$530,901,838 and \$559,303,911, respectively) had been transferred to the JCIF. As of June 30, 2019 and 2018, one account amounting to \$86,425,184 and \$82,156,069, respectively, had not been transferred to the JCIF.

Unrestricted funds are endowment funds gifted to The Associated which are not restricted for use or time by the donor. Distributions from these funds are limited by the Board of Directors to 5% of the average fund balance of the prior 12 quarters as determined each December 31 for the subsequent fiscal year.

Annual Campaign Endowment (ACE) funds are endowment funds gifted to The Associated which are earmarked for the unrestricted Annual Campaign. Distributions from these funds are limited to 5% of the average fund balance of the prior 12 quarters as determined each June 30 for the subsequent fiscal year.

The designated services for constituent agencies and programs are endowment funds gifted to The Associated which are designated for a field of interest (i.e., to help the elderly), an agency or program. Distributions from these funds are limited to 5% of the average fund balance of the prior 12 quarters as determined each December 31 for the subsequent fiscal year. This excludes endowment funds gifted to The Associated which are designated for capital improvements.

The Associated's Donor Advised Fund program assets are owned by The Associated but donors retain the privilege to recommend charitable distributions from the fund to The Associated or other public charities for charitable purposes.

Assets owned by constituent agencies are funds gifted directly to one of the agencies of The Associated and invested in the JCIF. Distributions from these funds are determined by the respective agency's Board of Directors.

Other foundations are separate legal entities and include both private foundations and supporting foundations which receive their nonprofit status because of their relationships with The Associated. Distributions from these funds are determined by the Board of Directors of the respective foundation.

The Baltimore Jewish Eldercare Foundation and the Baltimore Jewish Health Foundation, Inc. are community funds for the benefit of Sinai Hospital and Levindale Hebrew Geriatric Center. Distributions from these funds are limited to 5% of the average fund balance of the prior 12 quarters as determined each December 31 for the subsequent fiscal year.

Funds of other nonprofit organizations belong to other organizations that have contracted with AJCB to manage these assets in the JCIF. Distributions from these funds are directed by the respective organizations' Boards of Directors.

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

Notes to Special-Purpose Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

A summary of JCIF's significant accounting policies follows:

Basis of presentation: The schedules have been prepared solely for the purpose of presenting the assets, net assets and changes in net assets of the JCIF and CIF. The schedules of assets, liabilities and net assets, schedules of investments and schedules of changes in net assets include the assets, liabilities net assets, revenue, expenses, contributions and withdrawals directly attributable to the performance of the JCIF and CIF. JCIF did not present statements of cash flows for the years ended June 30, 2019 and 2018. Presentation of such statements is not required by special-purpose frameworks.

Investments: Purchases and sales of investments, and their related income and expenses, are recorded on the trade-date basis. Investments, other than limited partnership interests and mutual funds, are under custodial agreements with Wilmington Trust (previously known as M&T Trust Company). Professional investment managers have full discretionary authority over the purchase and sale of investments within guidelines established by the Investment Management Committees of the AJCB. Gains and losses on sales of investments and income earned on investments are allocated monthly to each investor based on the individual investor's share of net assets. Investments are stated at fair value as described in Note 2.

The JCIF held interests in 42 and 38 limited partnerships at June 30, 2019 and 2018, respectively. The majority of the limited partnerships are audited at December 31 of each year, with others audited at June 30 of each year. For the limited partnerships audited at December 31, interim valuations are prepared at June 30 of each year. The Investment Management Committee of AJCB regularly reviews the progress and valuation of these interests. Certain of these investments include an inherently higher degree of risk than others. The limited partnerships are not readily marketable and are recorded at fair value based on the net asset value (NAV) as reported by the underlying portfolio managers in accordance with the "practical expedient" methodology permitted under Generally Accepted Accounting Principles (U.S. GAAP).

Investment risk: The JCIF invests in a professionally managed portfolio that contains common shares and bonds of publicly-traded companies, U.S. government obligations, mutual funds, private equity funds, hedge funds, limited partnerships and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the schedules.

Market risk arises primarily from changes in the fair value of financial instruments. Theoretically, the JCIF's exposure is equal to the value of the investments purchased. Exposure to market risk is influenced by a number of factors, including the relationship between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. The JCIF attempts to control its exposure to market risk through various analytical monitoring techniques.

Credit risk: All of the JCIF's depository operations are provided by one broker. In the event this counterparty does not fulfill its obligations, the JCIF may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty. The JCIF attempts to minimize this credit risk by monitoring the creditworthiness of the clearing broker.

Administrative expenses: Expenses and fees are recognized in accordance with the accrual basis of accounting. Fees are charged to each sub-fund based on the fee arrangement agreed to by the parties.

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

Notes to Special-Purpose Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Capital transactions: The right to redeem capital is based on the management agreement between the parties but generally redemptions are on demand up to a certain percent of the assets under management each year. The AJCB reserves the right to hold back up to 25% of any large redemptions from the JCIF for up to a year. All assets contributed into the JCIF shall be pooled for investment purposes and invested at the sole discretion of the JCIF.

Interest and dividend income: Interest is recognized in accordance with the accrual basis of accounting. Dividend income arising from securities transactions are recorded based upon the ex-dividend date.

Use of estimates: The preparation of these special-purpose financial statements 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 schedules, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The special-purpose financial statements include investments whose values have been estimated by their general partners in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is reasonably possible that the differences could be material.

Income taxes: The JCIF taxable income or loss is reported by the beneficiaries of the JCIF individually and, accordingly, no income taxes have been provided for in the special-purpose financial statements of the JCIF. The JCIF files tax returns, separate from AJCB, as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the JCIF is subject to examination by federal, state and local jurisdictions, where applicable. The JCIF has reviewed the tax positions for the open tax period through June 30, 2019, and has determined that no provision for income tax or reserve for uncertain income tax positions is required for the JCIF's special-purpose financial statements. Generally, the JCIF is no longer subject to income tax examinations by the U.S. federal, state or local authorities for years before 2016.

Subsequent events: The JCIF has evaluated subsequent events for potential recognition and/or disclosure through November 25, 2019, the date the special-purpose financial statements were available to be issued.

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

Notes to Special-Purpose Financial Statements

Note 2. Fair Value Measurements

The JCIF follows the Financial Accounting Standards Board (FASB) authoritative guidance regarding accounting for fair value measurements. The guidance defines fair value 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 under the guidance as assumptions that market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy under the guidance are described below:

- Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Listed equities and holdings in mutual funds are the types of investments included in Level 1. Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation.
- Level 2:** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 2 includes the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds, government obligations and over-the-counter derivatives. A significant adjustment to a Level 2 input could result in a reclassification to a Level 3 measurement.
- Level 3:** Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The JCIF's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the investment.

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

Notes to Special-Purpose Financial Statements

Note 2. Fair Value Measurements (Continued)

The following table presents the JCIF's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2019:

| Description | Total | Fair Value Measurements Using | | |
|--|-----------------------|---|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Money market funds | \$ 13,725,162 | \$ 13,725,162 | \$ - | \$ - |
| Mutual funds: | | | | |
| Fixed income | 41,572,080 | 41,572,080 | - | - |
| Domestic growth | 44,076,054 | 44,076,054 | - | - |
| Equities: | | | | |
| Consumer discretionary | 2,492,039 | 2,492,039 | - | - |
| Energy | 197,568 | 197,568 | - | - |
| Financial services | 4,810,208 | 4,810,208 | - | - |
| Healthcare | 436,046 | 436,046 | - | - |
| Industrials | 827,805 | 827,805 | - | - |
| Information technology | 2,073,071 | 2,073,071 | - | - |
| Materials | 177,696 | 177,696 | - | - |
| Communication services | 4,253,676 | 4,253,676 | - | - |
| Fixed income: | | | | |
| Corporate | 19,724,838 | - | 19,724,838 | - |
| | 134,366,243 | \$ 114,641,405 | \$ 19,724,838 | \$ - |
| Alternative investments measured at NAV (or equivalent) (a) | 482,960,779 | | | |
| Total investments | <u>\$ 617,327,022</u> | | | |

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

Notes to Special-Purpose Financial Statements

Note 2. Fair Value Measurements (Continued)

The following table presents the JCIF's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2018:

| Description | Total | Fair Value Measurements Using | | |
|---|-----------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Money market funds | \$ 4,476,340 | \$ 4,476,340 | \$ - | \$ - |
| Mutual funds: | | | | |
| Fixed income | 51,775,962 | 51,775,962 | - | - |
| Domestic growth | 37,783,037 | 37,783,037 | - | - |
| Commodities | 17,000,926 | 17,000,926 | - | - |
| Equities: | | | | |
| Consumer discretionary | 1,729,946 | 1,729,946 | - | - |
| Energy | 445,004 | 445,004 | - | - |
| Financial services | 4,204,257 | 4,204,257 | - | - |
| Healthcare | 935,836 | 935,836 | - | - |
| Industrials | 468,200 | 468,200 | - | - |
| Information technology | 1,703,470 | 1,703,470 | - | - |
| Materials | 397,134 | 397,134 | - | - |
| Communication services | 3,943,518 | 3,943,518 | - | - |
| Fixed income: | | | | |
| Corporate | 19,206,020 | - | 19,206,020 | - |
| | <u>144,069,650</u> | <u>\$ 124,863,630</u> | <u>\$ 19,206,020</u> | <u>\$ -</u> |
| Alternative investments measured at NAV (or equivalent) (a) | <u>497,390,330</u> | | | |
| Total investments | <u>\$ 641,459,980</u> | | | |

(a) In accordance with FASB Accounting Standards Codification Subtopic 820-10, Fair Value Measurements and Disclosures as amended by FASB Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, certain investments that were measured at NAV per share (or equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amount presented in the table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the special-purpose statements of assets, liabilities and net assets.

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

Notes to Special-Purpose Financial Statements

Note 2. Fair Value Measurements (Continued)

The JCIF invests in certain entities for which the fair value measurement is assessed using NAV per share, or its equivalents. Information pertaining to these investments at June 30, 2019 and 2018, is as follows:

| | 2019 | | | |
|--|-----------------------|----------------------|----------------------|--------------------------|
| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Multi-strategy hedge funds (a) | \$ 118,251,276 | \$ 7,500,000 | Monthly – Annually | 30 – 90 days |
| Equity long/short funds (b) | 142,791,191 | - | Monthly – Quarterly | 30 – 60 days |
| Global opportunity funds (c) | 179,083,197 | - | Monthly – Annually | 10 – 45 days |
| Venture capital and private equity funds (d) | 42,835,115 | 29,164,998 | None | N/A |
| | <u>\$ 482,960,779</u> | <u>\$ 36,664,998</u> | | |

| | 2018 | | | |
|--|-----------------------|----------------------|----------------------|--------------------------|
| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Multi-strategy hedge funds (a) | \$ 137,728,616 | \$ 13,500,000 | Monthly – Annually | 30 – 90 days |
| Equity long/short funds (b) | 129,759,329 | - | Monthly – Quarterly | 30 – 60 days |
| Global opportunity funds (c) | 193,410,457 | - | Monthly – Annually | 5 – 45 days |
| Venture capital and private equity funds (d) | 36,491,928 | 19,741,282 | None | N/A |
| | <u>\$ 497,390,330</u> | <u>\$ 33,241,282</u> | | |

- (a) This category includes funds that employ hedging strategies to diversify risk and reduce volatility and may invest in various equity and bond securities to profit from economic, political and government-driven events. The investment objective is to invest in a diversified portfolio in order to achieve above-average returns while seeking to minimize risk. The fair value of the investments in this category has been estimated using the NAV per share of the investments.
- (b) This category includes an investment in a fund that invests both long and short in various domestic and international common stocks and commodities futures contracts. Management of the fund has the ability to shift from value to growth strategies, from small to large capitalization stocks, and from a net short position to a net long position. The investment objective is to invest in a diversified portfolio in order to achieve above-average returns while seeking to minimize risk. The fair value of the investments in this category has been estimated using the NAV per share of the investments.
- (c) This category includes investments in managers that hold the majority of the funds' investments in global common stocks, debt instruments and diversified currencies. The investment objective is to invest in a diversified global portfolio in order to achieve above-average returns while seeking to minimize risk. The fair value of the investments in this category has been estimated using the NAV per share of the investments.

**Jewish Community Investment Fund
(Associated Jewish Charities of Baltimore, Trustee)**

Notes to Special-Purpose Financial Statements

Note 2. Fair Value Measurements (Continued)

(d) This category includes private equity and venture capital funds. These investments can never be redeemed from the underlying funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. The investment objective is to invest in a diversified portfolio in order to achieve above-average returns in an asset class that is uncorrelated to the equity markets. As of June 30, 2019, it is probable that the investments in this category will be liquidated at an amount different from the NAV of the JCIF's ownership interest in partners' capital. The JCIF uses the NAV of the underlying partnership investments as reported by the respective partnership investment managers. It is estimated that the majority of the underlying assets of the funds would be liquidated over five to eight years.

Note 3. Financial Highlights

Certain financial highlights are presented below, including investment gain or loss to average net assets, expenses to average net assets, and total return. Total return is calculated based on the change in value during the period of a theoretical investment made at the beginning of the period. Operating performance highlights for the JCIF for the years ended June 30, 2019 and 2018, were as follows:

| | 2019 | 2018 |
|--|---------|---------|
| Total return | 2.00% | 7.84% |
| Expenses to average net assets | (0.64)% | (0.57)% |
| Net investment income and expenses to average net assets | 0.38% | 0.24% |

These financial highlights are for the JCIF and the returns and ratios may differ between organizations based on different fee arrangements and the timing of capital transactions. In addition, these financial highlights may not be indicative of future performance.

The JCIF pays management fees to investment managers based on style or program, which across the entire portfolio amount to approximately nine basis points on an annualized basis. These fees are netted with the income earned from the investments and are included in the calculation of total return above.