

JEWISH COMMUNITY OF LOUISVILLE, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2014 AND 2013

**JEWISH COMMUNITY OF LOUISVILLE, INC.
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YEARS ENDED JUNE 30, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Jewish Community of Louisville, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of Jewish Community of Louisville, Inc. (JCL) (a nonprofit organization), which comprise the statements of assets, liabilities, and fund balances – income tax basis of as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in fund balances – income tax basis, and cash flows – income tax basis 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 the basis of accounting JCL uses for income tax purposes; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, including the assessment of the risk 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 fund balances of the Jewish Community of Louisville, Inc. as of June 30, 2014 and 2013, and its revenues, expenses, and changes in fund balances, and its cash flows for the years then ended in accordance with the basis of accounting JCL uses for income tax purposes described in Note A.

Basis of Accounting

We draw attention to Note A to the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting JCL uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Welenken CPAs

Louisville, Kentucky
October 20, 2014

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS
JUNE 30, 2014

<u>ASSETS</u>	General Fund	Endowment Fund		Eliminations	Total
		Restricted	Unrestricted		
CURRENT ASSETS					
Cash and cash equivalents	\$ 340,778	\$ 3,455	\$ 14,952	\$ -	\$ 359,185
Pledges receivable, less allowance of \$303,975	1,277,396	-	-	-	1,277,396
Grants receivable	80,600	-	-	-	80,600
Membership dues receivable	49,832	-	-	-	49,832
Other accounts receivable	266,249	-	-	-	266,249
Prepaid expenses	55,835	-	-	-	55,835
Inventory	2,619	-	-	-	2,619
Total Current Assets	<u>2,073,309</u>	<u>3,455</u>	<u>14,952</u>	<u>-</u>	<u>2,091,716</u>
INVESTMENTS					
Marketable securities	-	10,257,875	6,335,593	-	16,593,468
Interest in partnerships and other investments	-	75,500	417,537	-	493,037
Investments held in trust by others	-	386,943	-	-	386,943
Investments held for other organizations	-	3,463,124	-	-	3,463,124
Total Investments	<u>-</u>	<u>14,183,442</u>	<u>6,753,130</u>	<u>-</u>	<u>20,936,572</u>
CHARITABLE REMAINDER ANNUITY TRUSTS RECEIVABLE					
	<u>-</u>	<u>1,968,271</u>	<u>-</u>	<u>-</u>	<u>1,968,271</u>
PROPERTY AND EQUIPMENT					
Data processing equipment	424,963	-	-	-	424,963
Furniture and equipment	1,379,800	-	-	-	1,379,800
Autos	75,276	-	-	-	75,276
Telephone system	13,545	-	-	-	13,545
Leasehold improvements	47,182	-	-	-	47,182
Land and building	13,504,979	-	-	-	13,504,979
	<u>15,445,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,445,745</u>
Less: accumulated depreciation	(10,201,812)	-	-	-	(10,201,812)
Net Property and Equipment	<u>5,243,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,243,933</u>
OTHER ASSETS					
Loan commitment fee, less amortization of \$15,469	12,031	-	-	-	12,031
Interfund receivables	-	21,723	-	(21,723)	-
Total Other Assets	<u>12,031</u>	<u>21,723</u>	<u>-</u>	<u>(21,723)</u>	<u>12,031</u>
TOTAL ASSETS	<u>\$ 7,329,273</u>	<u>\$ 16,176,891</u>	<u>\$ 6,768,082</u>	<u>\$ (21,723)</u>	<u>\$ 30,252,523</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS
JUNE 30, 2014

<u>LIABILITIES AND FUND BALANCES</u>	<u>General Fund</u>	<u>Endowment Fund</u>		<u>Eliminations</u>	<u>Total</u>
		<u>Restricted</u>	<u>Unrestricted</u>		
CURRENT LIABILITIES					
Deferred revenues	\$ 3,303,537	\$ -	\$ -	\$ -	\$ 3,303,537
Accounts payable	316,032	11,941	-	-	327,973
Accrued salaries, wages and payroll taxes	106,844	-	-	-	106,844
Miscellaneous current liabilities	221,774	-	-	-	221,774
Current portion of long-term debt	100,659	-	-	-	100,659
Total Current Liabilities	<u>4,048,846</u>	<u>11,941</u>	<u>-</u>	<u>-</u>	<u>4,060,787</u>
LONG-TERM DEBT, net of current portion	<u>1,911,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,911,651</u>
OTHER LIABILITIES					
Investments held for other organizations	-	3,463,124	-	-	3,463,124
Interfund payables	21,723	-	-	(21,723)	-
Total Other Liabilities	<u>21,723</u>	<u>3,463,124</u>	<u>-</u>	<u>(21,723)</u>	<u>3,463,124</u>
FUND BALANCES					
Fund balances – unrestricted	1,347,053	-	6,768,082	-	8,115,135
Fund balances – restricted	-	12,701,826	-	-	12,701,826
Total Fund Balances	<u>1,347,053</u>	<u>12,701,826</u>	<u>6,768,082</u>	<u>-</u>	<u>20,816,961</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 7,329,273</u>	 <u>\$ 16,176,891</u>	 <u>\$ 6,768,082</u>	 <u>\$ (21,723)</u>	 <u>\$ 30,252,523</u>

See accompanying Notes to Financial Statements.

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS
JUNE 30, 2013

<u>ASSETS</u>	General Fund	Endowment Fund		Eliminations	Total
	Fund	Restricted	Unrestricted		
CURRENT ASSETS					
Cash and cash equivalents	\$ 230,681	\$ 3,364	\$ 15,000	\$ -	\$ 249,045
Pledges receivable, less allowance of \$613,799	1,445,720	-	-	-	1,445,720
Grants receivable	172,017	-	-	-	172,017
Membership dues receivable, less allowance of \$971	35,137	-	-	-	35,137
Other accounts receivable	194,386	-	-	-	194,386
Prepaid expenses	19,811	-	-	-	19,811
Inventory	2,257	-	-	-	2,257
Total Current Assets	<u>2,100,009</u>	<u>3,364</u>	<u>15,000</u>	<u>-</u>	<u>2,118,373</u>
INVESTMENTS					
Marketable securities	4,258	8,968,696	5,586,116	-	14,559,070
Interest in partnerships and other investments	-	75,500	417,537	-	493,037
Investments held in trust by others	-	336,839	-	-	336,839
Investments held for other organizations	-	3,081,920	-	-	3,081,920
Total Investments	<u>4,258</u>	<u>12,462,955</u>	<u>6,003,653</u>	<u>-</u>	<u>18,470,866</u>
CHARITABLE REMAINDER ANNUITY TRUSTS RECEIVABLE					
	<u>-</u>	<u>1,594,334</u>	<u>-</u>	<u>-</u>	<u>1,594,334</u>
PROPERTY AND EQUIPMENT					
Data processing equipment	361,506	-	-	-	361,506
Furniture and equipment	1,292,362	-	-	-	1,292,362
Autos	75,276	-	-	-	75,276
Telephone system	13,545	-	-	-	13,545
Leasehold improvements	47,182	-	-	-	47,182
Land and building	13,378,971	-	-	-	13,378,971
	<u>15,168,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,168,842</u>
Less: accumulated depreciation	(9,723,850)	-	-	-	(9,723,850)
Net Property and Equipment	<u>5,444,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,444,992</u>
OTHER ASSETS					
Loan commitment fee, less amortization \$11,109	16,391	-	-	-	16,391
Interfund receivables	248,255	75,671	99,000	(422,926)	-
Total Other Assets	<u>264,646</u>	<u>75,671</u>	<u>99,000</u>	<u>(422,926)</u>	<u>16,391</u>
TOTAL ASSETS					
	<u>\$ 7,813,905</u>	<u>\$ 14,136,324</u>	<u>\$ 6,117,653</u>	<u>\$ (422,926)</u>	<u>\$ 27,644,956</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS
JUNE 30, 2013

<u>LIABILITIES AND FUND BALANCES</u>	<u>General Fund</u>	<u>Endowment Fund</u>		<u>Eliminations</u>	<u>Total</u>
		<u>Restricted</u>	<u>Unrestricted</u>		
CURRENT LIABILITIES					
Deferred revenues	\$ 3,319,755	\$ -	\$ -	\$ -	\$ 3,319,755
Line of credit	285,000	-	-	-	285,000
Accounts payable	221,499	-	-	-	221,499
Accrued salaries, wages and payroll taxes	84,178	-	-	-	84,178
Miscellaneous current liabilities	246,926	-	-	-	246,926
Current portion of long-term debt	85,084	-	-	-	85,084
Total Current Liabilities	<u>4,242,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,242,442</u>
LONG-TERM DEBT, net of current portion	<u>2,023,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,023,899</u>
OTHER LIABILITIES					
Investments held for other organizations	-	3,081,920	-	-	3,081,920
Interfund payables	99,671	248,255	75,000	(422,926)	-
Total Other Liabilities	<u>99,671</u>	<u>3,330,175</u>	<u>75,000</u>	<u>(422,926)</u>	<u>3,081,920</u>
FUND BALANCES					
Fund balances – unrestricted	1,447,893	-	6,042,653	-	7,490,546
Fund balances – restricted	-	10,806,149	-	-	10,806,149
Total Fund Balances	<u>1,447,893</u>	<u>10,806,149</u>	<u>6,042,653</u>	<u>-</u>	<u>18,296,695</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 7,813,905</u>	 <u>\$ 14,136,324</u>	 <u>\$ 6,117,653</u>	 <u>\$ (422,926)</u>	 <u>\$ 27,644,956</u>

See accompanying Notes to Financial Statements.

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES – INCOME TAX BASIS
YEAR ENDED JUNE 30, 2014

	General Fund	Endowment Fund		Total
		Restricted	Unrestricted	
REVENUES				
Pledge income	\$ 2,165,865	\$ -	\$ -	\$ 2,165,865
Membership dues and fees	1,795,843	-	-	1,795,843
Program service income	1,919,306	-	-	1,919,306
Gifts, grants, and bequests	799,128	1,186,601	36	1,985,765
Interest and dividends	1,859	274,276	109,969	386,104
Community newspaper income	101,091	-	-	101,091
Gain on sale of assets	350	354,483	206,331	561,164
Miscellaneous income	80,310	-	-	80,310
Special events	102,032	-	-	102,032
Rental income	22,862	-	-	22,862
Total Revenues	6,988,646	1,815,360	316,336	9,120,342
EXPENSES				
Allocations and grants	801,555	123,146	6,042	930,743
Operating expenses	6,441,739	60,751	28,293	6,530,783
Depreciation and amortization	482,322	-	-	482,322
Total Expenses	7,725,616	183,897	34,335	7,943,848
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(736,970)	1,631,463	282,001	1,176,494
INTERFUND TRANSFERS	636,130	(626,341)	(9,789)	-
CHANGE IN UNREALIZED NET GAINS ON MARKETABLE SECURITIES	-	890,555	453,217	1,343,772
FUND BALANCES, BEGINNING OF YEAR	1,447,893	10,806,149	6,042,653	18,296,695
FUND BALANCES, END OF YEAR	\$ 1,347,053	\$ 12,701,826	\$ 6,768,082	\$ 20,816,961

See accompanying Notes to Financial Statements.

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES – INCOME TAX BASIS
YEAR ENDED JUNE 30, 2013

	General Fund	Endowment Fund		Total
		Restricted	Unrestricted	
REVENUES				
Pledge income	\$ 1,984,557	\$ -	\$ -	\$ 1,984,557
Membership dues and fees	1,796,773	-	-	1,796,773
Program service income	1,699,686	-	-	1,699,686
Gifts, grants, and bequests	656,011	228,018	1,500	885,529
Interest and dividends	2,152	335,775	149,159	487,086
Community newspaper income	111,095	-	-	111,095
Gain on sale of assets	-	257,117	172,473	429,590
Miscellaneous income	35,806	-	-	35,806
Special events	67,440	-	-	67,440
Rental revenue	32,139	-	-	32,139
	<u>6,385,659</u>	<u>820,910</u>	<u>323,132</u>	<u>7,529,701</u>
EXPENSES				
Allocations and grants	792,781	529,144	61,729	1,383,654
Operating expenses	6,026,398	66,488	40,867	6,133,753
Depreciation and amortization	469,258	-	-	469,258
	<u>7,288,437</u>	<u>595,632</u>	<u>102,596</u>	<u>7,986,665</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(902,778)	225,278	220,536	(456,964)
INTERFUND TRANSFERS	357,427	(104,157)	(253,270)	-
CHANGE IN UNREALIZED NET GAINS ON MARKETABLE SECURITIES	1,000	296,426	201,318	498,744
FUND BALANCES, BEGINNING OF YEAR	<u>1,992,244</u>	<u>10,388,602</u>	<u>5,874,069</u>	<u>18,254,915</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,447,893</u>	<u>\$ 10,806,149</u>	<u>\$ 6,042,653</u>	<u>\$ 18,296,695</u>

See accompanying Notes to Financial Statements.

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENTS OF CASH FLOWS – INCOME TAX BASIS
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess (deficiency) of revenues over expenses	\$ 1,176,494	\$ (456,964)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:		
Depreciation and amortization	482,322	469,258
Uncollectible pledge accounts	96,511	149,819
Net realized gains on sale of investments	(560,814)	(429,590)
Gain on disposal of assets	(350)	-
Contributions and grants restricted for endowment	(1,186,601)	(228,018)
(Increase) decrease in assets:		
Receivables	76,672	(158,765)
Prepaid expenses	(36,024)	(8,150)
Inventory	(362)	3,357
Increase (decrease) in liabilities:		
Deferred revenues	(16,218)	564,571
Accounts payable	106,474	54,655
Accrued salaries, wages and payroll taxes	22,666	1,976
Miscellaneous current liabilities	(25,152)	(162,023)
Net cash provided by (used in) operating activities	<u>135,618</u>	<u>(199,874)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(276,553)	(261,965)
Sales (purchases) of investments, net	<u>(553,853)</u>	<u>176,656</u>
Net cash used in investing activities	<u>(830,406)</u>	<u>(85,309)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions and grants restricted for endowment	1,186,601	228,018
Borrowings (payments) on line of credit	(285,000)	35,114
Repayments of long-term debt	(96,673)	(64,950)
Loan commitment fee	-	(22,500)
Net cash provided by financing activities	<u>804,928</u>	<u>175,682</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	110,140	(109,501)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>249,045</u>	<u>358,546</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 359,185</u>	<u>\$ 249,045</u>
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid during the period for:		
Interest	\$ 94,949	\$ 113,080
<u>Schedule of Noncash Investing and Financing Activities:</u>		
Change in investments held for other organizations	\$ 381,204	\$ 474,800

See accompanying Notes to Financial Statements.

JEWISH COMMUNITY OF LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Jewish Community of Louisville, Inc. (JCL) is a nonprofit organization that serves to build and sustain a vibrant, caring, inclusive community rooted in Jewish values.

Financial Statement Presentation

The accounts of JCL are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

Basis of Accounting

The financial statements are prepared on the accrual method of accounting in accordance with practices permitted for federal income tax purposes, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The following are the more significant differences between that basis and GAAP:

- As permitted for income tax reporting purposes, JCL has not implemented all of the financial reporting requirements for GAAP. Specifically, JCL has not classified the difference between its assets and liabilities as unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based on the absence of donor-imposed restrictions. In addition, JCL has not reported the changes in each of those classes of net assets in the accompanying financial statements. That presentation is required by GAAP.
- As permitted for income tax reporting purposes, JCL records contributions and grants when they are received or pledged. Campaign contributions, in the form of pledges, are recorded as a pledge receivable and deferred revenue upon receipt of a pledge for the following year. Amounts are recorded as pledge income in the accompanying statement of revenues, expenses, and changes in fund balances – income tax basis during the year in which the pledge is designated by the donor. Other contributions, such as property, are recorded at their fair market value when received. Under GAAP, contributions received would be recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Temporarily restricted contributions would be reclassified to unrestricted net assets upon compliance with the specific restrictions. In addition, GAAP would require pledges receivable to be collected in greater than one year to be recorded at their present value in the accompanying financial statements.
- JCL received donated services that are not reflected in the accompanying financial statements. Under GAAP, the fair value of contributed services meeting certain requirements would be recognized as contributions and charged to assets or expenses in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with the accrual basis of accounting used for federal income tax reporting requires estimating some of the amounts reported. Actual amounts could differ from those estimates.

**JEWISH COMMUNITY OF LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include highly liquid debt instruments with maturities of 90 days or less at the time of purchase.

Allowances for Uncollectible Accounts

Allowances for uncollectible accounts for pledges receivable and membership dues receivable are based on JCL's past collection experience, general economic conditions, and Management's assessment of individual donor's ability to pay. Management writes off accounts to the allowance when further efforts will not produce additional collections. JCL does not charge interest on these accounts.

Inventory

Inventory is stated at the lower of cost or market determined by the first-in, first-out method.

Property and Depreciation

Property and equipment are recorded at cost and are being depreciated using the straight-line method. The estimated useful lives of the assets range from 5 to 40 years.

Charitable Remainder Annuity Trusts Receivable

Charitable remainder annuity trusts naming JCL as beneficiary or partial beneficiary of the trusts are reported at their fair market value.

Investments Held In Trust By Others

JCL is a beneficiary of a perpetual trust held by a third party. The investments within the trust are recorded on JCL's financial statements at fair value. These investments are subject to the restriction of the donor with principal and any gains or losses invested in perpetuity and only the income to be distributed to JCL based on JCL's interest in the trust.

Income Taxes

JCL has been recognized by the IRS as exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code except for taxes on unrelated business income. Unrelated business income is earned on the sale of advertisements in the newspaper, "Community", published by JCL. For the years ended June 30, 2014 and 2013 the newspaper did not have taxable income.

JCL's federal Forms 990 are generally open to examination by the IRS for a period of three years from the date the returns are filed.

Loan Commitment Fee

The loan commitment fee associated with the mortgage for the property is being amortized on the straight-line method over the term of the debt (10 years). During the year ended June 30, 2013 the mortgage for the property was refinanced for a fee of \$22,500. The fee is being amortized on the straight-line method over the remaining term of the debt (35 months) and the annual amortization is \$7,714.

Subsequent Events

JCL has evaluated subsequent events through October 20, 2014, the date the financial statements were available to be issued.

**JEWISH COMMUNITY OF LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS**

B. INVESTMENTS IN MARKETABLE SECURITIES

Investments purchased by JCL are initially recorded at their cost, and donated investments are recorded at fair value on the date they are received as a donation. Subsequent to their acquisition, investments in marketable securities with readily determinable fair values are adjusted to their fair values based on quoted market prices in active markets as of the date of the statements of assets, liabilities, and fund balances – income tax basis. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses, and changes in fund balances – income tax basis. Investments in marketable securities including investments held in trust by others and investments held for other organizations at June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common stock	\$ 9,060,603	\$12,054,543	\$ 8,901,414	\$ 10,632,021
Government notes and bonds	376,728	358,791	100,000	100,000
Money market funds	1,310,356	1,310,356	668,443	668,443
Mutual funds	2,555,861	2,674,672	2,631,320	2,657,953
Equities – ETF	254,311	310,622	254,311	255,586
Fixed income – ETF	502,375	497,627	502,375	489,350
Corporate bonds	1,604,925	1,701,477	1,807,660	1,760,390
Pooled investments	-	-	10,575	15,658
Certificates of deposit	-	-	4,258	4,258
Commodity linked funds	1,125,162	987,480	1,110,526	888,100
Real estate	<u>543,998</u>	<u>547,967</u>	<u>543,998</u>	<u>506,070</u>
	<u>\$17,334,319</u>	<u>\$20,443,535</u>	<u>\$16,534,880</u>	<u>\$17,977,829</u>

C. INTEREST IN PARTNERSHIPS AND OTHER INVESTMENTS

Interest in partnerships and other investments consists of the following:

	<u>2014</u>	<u>2013</u>
• .3% limited partner interest in a limited philanthropic partnership.	\$ 15,000	\$ 15,000
• 1% limited partner interest in a limited philanthropic partnership.	40,000	40,000
• .045% limited partner interest in a limited philanthropic partnership.	250	250
• .045% limited partner interest in a limited philanthropic partnership.	250	250
• Other limited philanthropic partnerships	20,000	20,000
• Cash surrender value of donated life insurance policies	<u>417,537</u>	<u>417,537</u>
	<u>\$ 493,037</u>	<u>\$ 493,037</u>

The investments in partnerships are carried at estimated market value at the time of donation, since the estimated current value is not readily determinable. Cash surrender value of donated life insurance policies are carried at market value.

**JEWISH COMMUNITY OF LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS**

D. INVESTMENTS HELD FOR OTHER ORGANIZATIONS, DESIGNATED FUNDS, AND MANAGEMENT FEES

JCL maintains investment accounts for certain restricted endowment designated funds (80 designated funds) and funds held for other organizations (5 organizations) for which they receive a management fee. Fees were calculated to be approximately \$15,000 and \$14,000 for 2014 and 2013, respectively.

E. ENDOWMENT FUNDS

JCL's endowment consists of approximately 300 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Fund balances associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of JCL has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, JCL classifies as permanently restricted fund balance (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 to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted fund balance is classified as temporarily restricted fund balance until those amounts are appropriated for expenditure by JCL in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, JCL 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 JCL and the donor-restricted endowment 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 JCL
- (7) The investment policies of JCL

Endowment fund balance composition by type of fund as of June 30, 2014:

	<u>Unrestricted</u>	<u>Restricted Fund Balance</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$7,516,320	\$5,185,506	\$12,701,826
Board-designated endowment funds	<u>6,768,082</u>	-	-	<u>6,768,082</u>
Total funds	<u>\$6,768,082</u>	<u>\$7,516,320</u>	<u>\$5,185,506</u>	<u>\$19,469,908</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

E. ENDOWMENT FUNDS (CONTINUED)

Changes in endowment fund balance for the year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Restricted Fund Balance</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment fund balance, beginning of year	\$ 6,042,653	\$ 6,217,449	\$ 4,588,700	\$ 16,848,802
Gifts, grants, and bequests	36	593,301	593,300	1,186,637
Investment gains	316,300	628,759	-	945,059
Interfund transfers	(9,789)	(629,847)	3,506	(636,130)
Net unrealized investment gains	453,217	890,555	-	1,343,772
Amounts appropriated for expenditure	(34,335)	(183,897)	-	(218,232)
Endowment fund balance, end of year	<u>\$ 6,768,082</u>	<u>\$ 7,516,320</u>	<u>\$ 5,185,506</u>	<u>\$ 19,469,908</u>

Endowment fund balance composition by type of fund as of June 30, 2013:

	<u>Unrestricted</u>	<u>Restricted Fund Balance</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$ 6,217,449	\$ 4,588,700	\$ 10,806,149
Board-designated endowment funds	<u>6,042,653</u>	-	-	<u>6,042,653</u>
Total funds	<u>\$ 6,042,653</u>	<u>\$ 6,217,449</u>	<u>\$ 4,588,700</u>	<u>\$ 16,848,802</u>

Changes in endowment fund balance for the year ended June 30, 2013:

	<u>Unrestricted</u>	<u>Restricted Fund Balance</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment fund balance, beginning of year	\$ 5,874,069	\$ 5,658,889	\$ 4,729,713	\$ 16,262,671
Gifts, grants, and bequests	1,500	228,018	-	229,518
Investment gains	321,632	592,892	-	914,524
Interfund transfers	(253,270)	36,856	(141,013)	(357,427)
Net unrealized investment gains	201,318	296,426	-	497,744
Amounts appropriated for expenditure	(102,596)	(595,632)	-	(698,228)
Endowment fund balance, end of year	<u>\$ 6,042,653</u>	<u>\$ 6,217,449</u>	<u>\$ 4,588,700</u>	<u>\$ 16,848,802</u>

Return Objectives and Risk Parameters

JCL has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets included those assets of donor-restricted funds that JCL must hold in perpetuity or for donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S & P 500 Index while assuming a moderate level of investment risk. JCL expects its endowment funds, over time, to provide an average rate of return of approximately seven to eight percent annually. Actual returns in any given year may vary from this amount.

**JEWISH COMMUNITY OF LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS**

E. ENDOWMENT FUNDS (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, JCL relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). JCL targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy

JCL has adopted a spending policy of appropriating a distribution each year of its endowment fund's principal value as of December 31 of the prior year. This distribution is based on a formula whereby if the fund's annual return exceeds the consumer price index percentage ("spread") by five percent then the total appropriation equals four percent plus one-fifth of the spread exceeding four percent. The minimum distribution each year has been set at four percent. In establishing this policy, JCL considered the long-term expected investment return on its endowment. Accordingly, over the long-term, JCL expects the current spending policy to allow its general endowment fund to grow at an average of seven to eight percent annually. This is consistent with JCL's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

JCL has adopted a spending policy capping the amount withdrawn in any year from the board-designated endowment fund. The annual cap for fiscal years 2014 and 2013 was five percent of principal based on a twelve-quarter rolling average. The Board of Directors believes it is the fiduciary responsibility to retain the purchasing power of the board-designated endowment fund into perpetuity. The target five percent distribution is based on an expected seven to eight percent market return less two percent inflation. Using a twelve quarter rolling average will smooth market volatility out of each year's funding available for grants, thereby supporting the planning and budgeting requirements of JCL. Each fiscal quarter, the authorized distribution amount will be recalculated based on the last twelve quarters.

F. LINE OF CREDIT

JCL has an available line of credit of \$750,000 with a bank, secured by real estate, expiring October 18, 2014. The interest is payable monthly at the prime rate with a floor of 3.25% (3.25% at June 30, 2014). JCL had borrowings on the line of credit totaling \$285,000 at June 30, 2013. There were no borrowings on the line of credit as of June 30, 2014.

Subsequent Event: On September 11, 2014, the line of credit was renewed through October 17, 2015.

G. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2014</u>	<u>2013</u>
Mortgage payable – monthly payments of \$11,321 through September 6, 2015, including interest of 3.99%.	\$ 1,934,042	\$ 1,990,407
Note payable – bank, monthly payments of \$3,697 through April 2016, including interest of 3.99%.	<u>78,268</u>	<u>118,576</u>
	2,012,310	2,108,983
Less: current portion	(<u>100,659</u>)	(<u>85,084</u>)
	<u>\$ 1,911,651</u>	<u>\$ 2,023,899</u>

**JEWISH COMMUNITY OF LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS**

G. LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 100,659
2016	<u>1,911,651</u>
	<u>\$ 2,012,310</u>

H. EMPLOYEE BENEFIT PLANS

Defined Benefit Plan

JCL participates in a *multiple employer* defined benefit pension plan that covers all employees who have attained the age of 21 and completed one year of service. Following is a summary of plan information as of January 1, 2014 and 2013. The equivalent amounts for June 30, 2014 and 2013 are not available.

	<u>2014</u>	<u>2013</u>
Accrued plan assets available to provide benefits at January 1,	\$ 5,750,767	\$ 5,138,642
Actuarial present value of accumulated plan benefits at January 1,	<u>5,622,351</u>	<u>5,617,425</u>
Excess (deficiency) of accrued plan assets available to provide benefits over actuarial present value of accumulated plan benefits	<u>\$ 128,416</u>	<u>(\$ 478,783)</u>

JCL's contributions to the plan totaled \$120,000 and \$115,368 for the years ended June 30, 2014 and 2013, respectively.

Effective June 30, 2005, the benefit accruals with respect to participants who were employees of JCC are frozen. All frozen accrued benefits as of June 30, 2005, for active employees on that date are 100% vested. No additional employees will enter the plan after June 30, 2005.

Effective March 31, 2009, the benefit accruals with respect to participants who were employees of JCF are frozen. All frozen accrued benefits as of March 31, 2009, for active employees on that date are 100% vested. No additional employees will enter the plan after March 31, 2009.

Termination from the plan is not mandatory. Should JCL elect to terminate the plan, JCL would be liable for accrued pension benefits in excess of plan assets at the date of termination, if any. JCL would also be liable for benefits payable to retired pensioners in future years should the plan assets not be sufficient to pay accrued benefits. Future contributions to the plan will be determined annually by an actuary from Mutual of America Life Insurance Company.

JEWISH COMMUNITY OF LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

H. EMPLOYEE BENEFIT PLANS (CONTINUED)

Defined Contribution Plan

JCL sponsors a Section 403(b) plan. JCL contributions to the plan are based on a percentage of the eligible employee's gross wages. JCL contributions are fully vested after a service period of three years. JCL contributed \$116,026 and \$92,588 to the plan for the years ended June 30, 2014 and 2013, respectively. Plan participants may make pre-tax contributions to the plan, and participant contributions are fully vested at all times.

I. OPERATING LEASES

JCL leases certain office space and equipment under terms of operating leases. Lease expense for the years ended June 30, 2014 and 2013, totaled \$21,824 and \$83,700, respectively. Future obligations over the primary terms of the long-term leases as of June 30, 2014 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 17,300
2016	17,300
2017	15,284
2018	4,457
Thereafter	<u>-</u>
Total	<u>\$ 54,341</u>

J. CONCENTRATION OF CREDIT RISK

JCL maintains cash deposits at financial institutions, which at times, may exceed federally insured limits. JCL has not experienced any losses in such accounts. Management believes JCL is not exposed to any significant risk related to cash and cash equivalents.

K. FUND-RAISING

Fund-raising consists of an annual campaign. Total costs associated with the annual campaign were \$279,751 and \$264,951 for the years ended June 30, 2014 and 2013, respectively.

**SUPPLEMENTARY
INFORMATION**

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Jewish Community of Louisville, Inc.
Louisville, Kentucky

We have audited the financial statements of Jewish Community of Louisville, Inc. as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon dated October 20, 2014, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The following schedules are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Welenken CPAs

Louisville, Kentucky
October 20, 2014

JEWISH COMMUNITY OF LOUISVILLE, INC.
SCHEDULE OF OPERATING EXPENSES - GENERAL FUND - INCOME TAX BASIS
YEAR ENDED JUNE 30, 2014

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total General Fund</u>
Salaries and wages	\$ 2,642,357	\$ 285,080	\$ 137,942	\$ 3,065,379
Temporary labor	259,748	8,033	-	267,781
Audit	53,500	5,772	2,793	62,065
Auto	22,719	2,451	1,186	26,356
Dues and publications	39,957	4,311	2,086	46,354
Education	49,001	5,284	2,560	56,845
Employee benefits	322,264	34,769	16,823	373,856
Insurance - general	51,469	4,575	1,144	57,188
Interest	92,101	2,848	-	94,949
Marketing	47,476	-	2,510	49,986
Meetings	51,129	5,518	2,669	59,316
Miscellaneous	87,776	9,470	4,582	101,828
Office equipment maintenance	31,632	3,954	3,954	39,540
Office expenses	14,684	-	1,068	15,752
Payroll taxes	209,479	22,599	10,934	243,012
Postage	31,630	3,413	1,651	36,694
Printing expenses	12,944	32,361	19,416	64,721
Professional/management fees	40,577	67,628	27,051	135,256
Programs	538,883	58,145	28,131	625,159
Relocation expenses	20,124	-	-	20,124
Rentals/leases	53,057	5,725	2,770	61,552
Repairs and maintenance	501,323	15,504	-	516,827
Telephone	20,963	20,963	10,481	52,407
Uncollectible pledge accounts	-	96,511	-	96,511
Utilities	272,281	-	-	272,281
	<u>\$ 5,467,074</u>	<u>\$ 694,914</u>	<u>\$ 279,751</u>	<u>\$ 6,441,739</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
SCHEDULE OF OPERATING EXPENSES - GENERAL FUND - INCOME TAX BASIS
YEAR ENDED JUNE 30, 2013

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total General Fund</u>
Salaries and wages	\$ 2,422,009	\$ 261,307	\$ 126,439	\$ 2,809,755
Temporary labor	249,741	7,724	-	257,465
Audit	61,202	6,603	3,195	71,000
Auto	15,233	1,644	795	17,672
Dues and publications	44,701	4,822	2,333	51,856
Education	15,566	1,679	813	18,058
Employee benefits	286,820	30,945	14,973	332,738
Insurance - general	79,916	7,103	1,776	88,795
Interest	109,688	3,392	-	113,080
Marketing	70,127	-	3,707	73,834
Meetings	47,044	5,077	2,455	54,576
Miscellaneous	106,049	11,442	5,536	123,027
Office equipment maintenance	40,773	20,385	6,795	67,953
Office expenses	16,166	-	1,175	17,341
Payroll taxes	189,496	20,444	9,891	219,831
Postage	37,148	4,008	1,939	43,095
Printing expenses	6,010	15,025	9,015	30,050
Professional/management fees	14,897	59,589	24,829	99,315
Programs	441,255	47,611	23,035	511,901
Relocation expenses	-	-	15,560	15,560
Rentals/leases	75,628	8,159	3,948	87,735
Repairs and maintenance	414,134	12,808	-	426,942
Telephone	9,571	46,994	-	56,565
Uncollectible pledge accounts	129,144	13,933	6,742	149,819
Utilities	288,435	-	-	288,435
	<u>\$ 5,170,753</u>	<u>\$ 590,694</u>	<u>\$ 264,951</u>	<u>\$ 6,026,398</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
SCHEDULES OF OPERATING EXPENSES - ENDOWMENT FUND - INCOME TAX BASIS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014			2013		
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Programs	\$ -	\$ -	\$ -	\$ -	\$ 15,269	\$ 15,269
Miscellaneous	(1,252)	-	(1,252)	(57)	-	(57)
Trust management fee	62,003	28,293	90,296	66,545	25,598	92,143
	<u>\$ 60,751</u>	<u>\$ 28,293</u>	<u>\$ 89,044</u>	<u>\$ 66,488</u>	<u>\$ 40,867</u>	<u>\$ 107,355</u>