

JEWISH COMMUNITY OF LOUISVILLE, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2011 AND 2010

**JEWISH COMMUNITY OF LOUISVILLE, INC.
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YEARS ENDED JUNE 30, 2011 AND 2010**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of assets, liabilities, and fund balances – income tax basis of Jewish Community of Louisville, Inc. (JCL) (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in fund balances, and cash flows – income tax basis for the years then ended. These financial statements are the responsibility of JCL's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A, these financial statements were prepared on the basis of accounting JCL uses for income tax purposes, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2011 and 2010, and its revenues, expenses, and changes in fund balances, and its cash flows for the years then ended, on the basis of accounting described in Note A.



Welenken CPAs

Louisville, Kentucky
December 16, 2011

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS
JUNE 30, 2011

<u>ASSETS</u>	General Fund	Endowment Fund		Eliminations	Total
		Restricted	Unrestricted		
CURRENT ASSETS					
Cash and cash equivalents	\$ 719,571	\$ 4,157	\$ 34,329	\$ -	\$ 758,057
Pledges receivable, less allowance of \$632,000	1,621,207	-	-	-	1,621,207
Grants receivable	169,289	-	-	-	169,289
Membership dues receivable, less allowance of \$1,930	25,194	-	-	-	25,194
Other accounts receivable	463,931	-	157,681	(529,850)	91,762
Prepaid expenses	21,657	-	-	-	21,657
Inventory	10,110	-	-	-	10,110
Total Current Assets	<u>3,030,959</u>	<u>4,157</u>	<u>192,010</u>	<u>(529,850)</u>	<u>2,697,276</u>
INVESTMENTS					
Marketable securities	73,239	8,875,284	6,017,598	-	14,966,121
Interest in partnerships and other investments	-	75,500	396,762	-	472,262
Investments held in trust by others	-	330,002	-	-	330,002
Investments held for other organizations	-	2,823,665	-	-	2,823,665
Total Investments	<u>73,239</u>	<u>12,104,451</u>	<u>6,414,360</u>	<u>-</u>	<u>18,592,050</u>
CHARITABLE REMAINDER ANNUITY TRUSTS RECEIVABLE					
	<u>-</u>	<u>1,645,463</u>	<u>-</u>	<u>-</u>	<u>1,645,463</u>
PROPERTY AND EQUIPMENT					
Data processing equipment	336,137	-	-	-	336,137
Furniture and equipment	1,258,297	-	-	-	1,258,297
Autos	74,992	-	-	-	74,992
Telephone system	13,545	-	-	-	13,545
Leasehold improvements	47,182	-	-	-	47,182
Land and building	12,987,195	-	-	-	12,987,195
	<u>14,717,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,717,348</u>
Less: accumulated depreciation	(8,863,863)	-	-	-	(8,863,863)
Net Property and Equipment	<u>5,853,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,853,485</u>
OTHER ASSETS					
Loan commitment fee, less amortization of \$2,875	2,125	-	-	-	2,125
Total Other Assets	<u>2,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,125</u>
TOTAL ASSETS	<u>\$ 8,959,808</u>	<u>\$ 13,754,071</u>	<u>\$ 6,606,370</u>	<u>\$ (529,850)</u>	<u>\$ 28,790,399</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS
JUNE 30, 2011

<u>LIABILITIES AND FUND BALANCES</u>	General Fund	Endowment Fund		Eliminations	Total
		Restricted	Unrestricted		
CURRENT LIABILITIES					
Deferred revenues	\$ 2,948,716	\$ -	\$ -	\$ -	\$ 2,948,716
Line of credit	238,939	-	-	-	238,939
Allocations payable	50,920	-	-	-	50,920
Accounts payable	123,822	477,263	2,228	(429,850)	173,463
Accrued salaries, wages and payroll taxes	52,330	-	-	-	52,330
Miscellaneous current liabilities	396,701	-	123,846	(100,000)	420,547
Current portion of long-term debt	75,546	-	-	-	75,546
Total Current Liabilities	<u>3,886,974</u>	<u>477,263</u>	<u>126,074</u>	<u>(529,850)</u>	<u>3,960,461</u>
LONG-TERM DEBT, net of current portion	<u>2,173,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,173,825</u>
INVESTMENTS HELD FOR OTHER ORGANIZATIONS	<u>-</u>	<u>2,823,665</u>	<u>-</u>	<u>-</u>	<u>2,823,665</u>
FUND BALANCES					
Fund balances – unrestricted	2,899,009	-	6,480,296	-	9,379,305
Fund balances – restricted	-	10,453,143	-	-	10,453,143
Total Fund Balances	<u>2,899,009</u>	<u>10,453,143</u>	<u>6,480,296</u>	<u>-</u>	<u>19,832,448</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 8,959,808</u></u>	 <u><u>\$ 13,754,071</u></u>	 <u><u>\$ 6,606,370</u></u>	 <u><u>\$ (529,850)</u></u>	 <u><u>\$ 28,790,399</u></u>

See accompanying Notes to Financial Statements.

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS
JUNE 30, 2010

<u>ASSETS</u>	General Fund	Endowment Fund		Eliminations	Total
	Restricted	Unrestricted			
CURRENT ASSETS					
Cash and cash equivalents	\$ 399,619	2,009	\$ 101,359	\$ -	\$ 502,987
Pledges receivable, less allowance of \$700,249	1,587,363	-	-	-	1,587,363
Grants receivable	180,891	-	-	-	180,891
Membership dues receivable, less allowance of \$1,686	20,123	-	-	-	20,123
Other accounts receivable	294,792	-	15,867	(112,345)	198,314
Prepaid expenses	44,715	-	-	-	44,715
Inventory	9,540	-	-	-	9,540
Total Current Assets	<u>2,537,043</u>	<u>2,009</u>	<u>117,226</u>	<u>(112,345)</u>	<u>2,543,933</u>
INVESTMENTS					
Marketable securities	413,338	7,802,442	5,665,510	-	13,881,290
Interest in partnerships and other investments	-	75,500	369,311	-	444,811
Investments held in trust by others	-	278,345	-	-	278,345
Investments held for other organizations	-	2,407,666	-	-	2,407,666
Total Investments	<u>413,338</u>	<u>10,563,953</u>	<u>6,034,821</u>	<u>-</u>	<u>17,012,112</u>
CHARITABLE REMAINDER ANNUITY TRUSTS RECEIVABLE					
	<u>-</u>	<u>1,503,197</u>	<u>-</u>	<u>-</u>	<u>1,503,197</u>
PROPERTY AND EQUIPMENT					
Data processing equipment	320,814	-	-	-	320,814
Furniture and equipment	1,213,719	-	-	-	1,213,719
Autos	74,992	-	-	-	74,992
Telephone system	13,545	-	-	-	13,545
Leasehold improvements	47,182	-	-	-	47,182
Land and building	12,807,740	-	-	-	12,807,740
	<u>14,477,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,477,992</u>
Less: accumulated depreciation	<u>(8,464,375)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,464,375)</u>
Net Property and Equipment	<u>6,013,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,013,617</u>
OTHER ASSETS					
Loan commitment fee, less amortization \$2,375	2,625	-	-	-	2,625
Total Other Assets	<u>2,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,625</u>
TOTAL ASSETS					
	<u>\$ 8,966,623</u>	<u>\$ 12,069,159</u>	<u>\$ 6,152,047</u>	<u>\$ (112,345)</u>	<u>\$ 27,075,484</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS
JUNE 30, 2010

<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	\$ 2,996,972	\$ -	\$ -	\$ -	\$ 2,996,972
Line of credit	238,939	-	-	-	238,939
Allocations payable	53,120	-	-	-	53,120
Accounts payable	178,626	12,345	-	(12,345)	178,626
Accrued salaries, wages and payroll taxes	126,100	-	-	-	126,100
Reserve for contingencies	11,385	-	-	-	11,385
Miscellaneous current liabilities	331,944	-	95,828	(100,000)	327,772
Current portion of long-term debt	38,077	-	-	-	38,077
Total Current Liabilities	<u>3,975,163</u>	<u>12,345</u>	<u>95,828</u>	<u>(112,345)</u>	<u>3,970,991</u>
LONG-TERM DEBT, net of current portion	<u>2,057,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,057,833</u>
INVESTMENTS HELD FOR OTHER ORGANIZATIONS	<u>-</u>	<u>2,407,666</u>	<u>-</u>	<u>-</u>	<u>2,407,666</u>
FUND BALANCES					
Fund balances – unrestricted	2,933,627	-	6,056,219	-	8,989,846
Fund balances – restricted	-	9,649,148	-	-	9,649,148
Total Fund Balances	<u>2,933,627</u>	<u>9,649,148</u>	<u>6,056,219</u>	<u>-</u>	<u>18,638,994</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 8,966,623</u>	 <u>\$ 12,069,159</u>	 <u>\$ 6,152,047</u>	 <u>\$ (112,345)</u>	 <u>\$ 27,075,484</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, 2011

	General Fund	Endowment Fund		Total
		Restricted	Unrestricted	
REVENUES				
Pledge income	\$ 2,240,622	\$ -	\$ -	\$ 2,240,622
Membership dues and fees	1,707,510	-	-	1,707,510
Program service income	1,265,872	-	-	1,265,872
Gifts, grants, and bequests	925,889	189,608	15,640	1,131,137
Interest and dividends	1,931	264,346	158,166	424,443
Community newspaper income	96,088	-	-	96,088
Gain (loss) on sale of assets	51	295,414	117,730	413,195
Miscellaneous income	23,450	-	13,673	37,123
Special events	121,243	-	-	121,243
Rental income	30,591	-	-	30,591
Total Revenues	6,413,247	749,368	305,209	7,467,824
EXPENSES				
Allocations and grants	1,306,024	590,265	293,626	2,189,915
Operating expenses	5,467,731	81,279	137,968	5,686,978
Depreciation	479,041	-	3,200	482,241
Total Expenses	7,252,796	671,544	434,794	8,359,134
DEFICIENCY OF REVENUES OVER EXPENSES	(839,549)	77,824	(129,585)	(891,310)
INTERFUND TRANSFERS	804,931	(458,324)	(346,607)	-
CHANGE IN UNREALIZED NET GAINS (LOSSES) ON MARKETABLE SECURITIES	-	1,184,495	900,269	2,084,764
FUND BALANCES, BEGINNING OF YEAR	2,933,627	9,649,148	6,056,219	18,638,994
FUND BALANCES, END OF YEAR	\$ 2,899,009	\$ 10,453,143	\$ 6,480,296	\$ 19,832,448

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, 2010

	General	Endowment Fund		Total
	Fund	Restricted	Unrestricted	
REVENUES				
Pledge income	\$ 2,091,514	\$ -	\$ -	\$ 2,091,514
Membership dues and fees	1,708,731	-	-	1,708,731
Program service income	1,154,921	-	-	1,154,921
Gifts, grants, and bequests	1,099,449	18,092	35,882	1,153,423
Interest and dividends	2,043	270,521	184,979	457,543
Community newspaper income	111,648	-	-	111,648
Gain (loss) on sale of assets	(79,787)	(409,205)	(206,068)	(695,060)
Miscellaneous income	33,917	-	25,790	59,707
Special events	146,324	-	-	146,324
Rental revenue	37,184	-	-	37,184
Total Revenues	6,305,944	(120,592)	40,583	6,225,935
EXPENSES				
Allocations and grants	1,305,803	320,384	461,888	2,088,075
Operating expenses	5,642,563	58,620	324,954	6,026,137
Depreciation	474,107	-	3,200	477,307
Total Expenses	7,422,473	379,004	790,042	8,591,519
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(1,116,529)	(499,596)	(749,459)	(2,365,584)
INTERFUND TRANSFERS	227,495	(73,035)	(154,460)	-
CHANGE IN UNREALIZED NET GAINS (LOSSES) ON MARKETABLE SECURITIES	-	1,030,581	753,362	1,783,943
FUND BALANCES, BEGINNING OF YEAR	3,822,661	9,191,198	6,206,776	19,220,635
FUND BALANCES, END OF YEAR	\$ 2,933,627	\$ 9,649,148	\$ 6,056,219	\$ 18,638,994

See accompanying Notes to Financial Statements.

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENTS OF CASH FLOWS – INCOME TAX BASIS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficiency of revenues over expenses	\$ (891,310)	\$ (2,365,584)
Adjustments to reconcile deficiency of revenues over expenses to net cash used in operating activities:		
Depreciation and amortization	482,241	477,307
Uncollectible pledge accounts	21,293	170,594
Net realized (gains)/losses on sale of investments	(413,144)	614,774
(Gain)/loss on disposal of assets	(51)	80,286
Contributions and grants restricted for endowment	(189,608)	(18,092)
(Increase) decrease in assets:		
Receivables	57,946	(435,235)
Prepaid expenses	23,058	1,951
Inventory	(570)	31,964
Increase (decrease) in liabilities:		
Deferred revenues	(48,256)	829,533
Allocations payable	(2,200)	(7,350)
Accounts payable	(5,163)	(11,539)
Accrued salaries, wages and payroll taxes	(73,770)	23,721
Reserve for contingencies	(11,385)	11,385
Miscellaneous current liabilities	92,775	(215,238)
Net cash provided by (used) in operating activities	(958,144)	(811,523)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(328,593)	(150,309)
Sales (purchases) of investments, net	1,198,738	643,157
Net cash provided by investing activities	870,145	492,848
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions and grants restricted for endowment	189,608	18,092
Borrowings on line of credit	-	1,939
Repayments of long-term debt	(44,539)	(36,272)
Proceeds from note payable	198,000	-
Net cash used in financing activities	343,069	(16,241)
NET CHANGE IN CASH AND CASH EQUIVALENTS	255,070	(334,916)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	502,987	837,903
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 758,057	\$ 502,987
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid during the period for:		
Interest	\$ 129,213	\$ 132,254
<u>Schedule of Noncash Investing and Financing Activities:</u>		
Change in investments held for other organizations	\$ 415,999	\$ 288,544

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 as the collective body to preserve and enrich Jewish life and values in Louisville, Kentucky, and to identify a connection to the State of Israel, by providing the services and resources that meet the educational, recreational, social and cultural needs of the individual and affected organizations.

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 support in the accompanying consolidated statement of revenues, expenses, and changes in fund balances – income tax basis during the year in which payment 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 consist of 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 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, 2011 and 2010 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). The loan commitment fee was \$5,000 and annual amortization is \$500.

Donated Services

A large number of volunteers have donated significant amounts of their time to JCL's fund-raising campaign and other program services. Although no amounts have been reflected in the statements for donated services, management estimates the fair value of these services to be \$721,419 and \$711,564 for the years ended June 30, 2011 and 2010, respectively.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

JCL has evaluated subsequent events through December 16, 2011, the date the financial statements were available to be issued.

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 for other organizations at June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common stock	\$ 9,012,856	\$10,778,411	\$ 8,818,036	\$ 8,820,959
Government notes and bonds	1,701,023	1,670,619	2,103,881	2,153,929
Money market funds	812,538	812,538	1,678,550	1,678,550
Mutual funds	297,321	395,116	299,940	278,285
Corporate bonds	2,843,672	2,831,606	2,016,981	1,893,612
Pooled investments	18,075	26,110	18,075	23,700
Certificates of deposit	4,780	4,780	244,907	244,907
GNMA	13,645	15,627	17,806	19,835
Commodity linked funds	940,426	1,164,384	1,246,765	1,155,005
Real estate	490,627	420,598	509,665	298,519
	<u>\$16,134,963</u>	<u>\$18,119,789</u>	<u>\$ 16,954,606</u>	<u>\$16,567,301</u>

C. INTEREST IN PARTNERSHIPS AND OTHER INVESTMENTS

Interest in partnerships and other investments consists of the following:

	<u>2011</u>	<u>2010</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>396,762</u>	<u>369,311</u>
	<u>\$ 472,262</u>	<u>\$ 444,811</u>

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

C. INTEREST IN PARTNERSHIPS AND OTHER INVESTMENTS (CONTINUED)

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.

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

JCL maintains investment accounts for certain restricted endowment designated funds (54 designated funds) and funds held for other organizations (5 organizations) for which they receive a management fee. Fees were received in the amounts of \$91,675 and \$83,899 for 2011 and 2010, respectively.

E. ENDOWMENT FUNDS

JCL's endowment consists of approximately 305 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, 2011:

	<u>Unrestricted</u>	<u>Permanently Restricted Fund Balance</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$6,520,021	\$3,933,122	\$10,453,143
Board-designated endowment funds	6,480,296	-	-	6,480,296
Total funds	<u>\$6,480,296</u>	<u>\$6,520,021</u>	<u>\$3,933,122</u>	<u>\$16,933,439</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, 2011:

	<u>Unrestricted</u>	<u>Permanently Restricted Fund Balance</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment fund balance, beginning of year	\$ 6,056,219	\$ 5,358,631	\$ 4,290,517	\$ 15,705,367
Gifts, grants, and bequests	15,640	88,679	100,929	205,248
Investment gains	275,896	559,760	-	835,656
Interfund transfers	(346,607)	-	(458,324)	(804,931)
Miscellaneous income	13,673	-	-	13,673
Net appreciation (depreciation)	900,269	1,184,495	-	2,084,764
Amounts appropriated for expenditure	(434,794)	(671,544)	-	(1,106,338)
Endowment fund balance, end of year	<u>\$ 6,480,296</u>	<u>\$ 6,520,021</u>	<u>\$ 3,933,122</u>	<u>\$ 16,933,439</u>

Endowment fund balance composition by type of fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Permanently Restricted Fund Balance</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$ 5,358,631	\$ 4,290,517	\$ 9,649,148
Board-designated endowment funds	<u>6,056,219</u>	-	-	<u>6,056,219</u>
Total funds	<u>\$6,056,219</u>	<u>\$ 5,358,631</u>	<u>\$ 4,290,517</u>	<u>\$15,705,367</u>

Changes in endowment fund balance for the year ended June 30, 2010:

	<u>Unrestricted</u>	<u>Permanently Restricted Fund Balance</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment fund balance, beginning of year	\$ 6,206,776	\$ 4,856,212	\$ 4,334,986	\$ 15,397,974
Gifts, grants, and bequests	35,882	-	18,092	53,974
Investment losses	(21,089)	(138,684)	-	(159,773)
Interfund transfers	(154,460)	(10,474)	(62,561)	(227,495)
Miscellaneous income	25,790	-	-	25,790
Net appreciation (depreciation)	753,362	1,030,581	-	1,783,943
Amounts appropriated for expenditure	(790,042)	(379,004)	-	(1,169,046)
Endowment fund balance, end of year	<u>\$ 6,056,219</u>	<u>\$ 5,358,631</u>	<u>\$ 4,290,517</u>	<u>\$ 15,705,367</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 a spending policy of appropriating for distribution each year a minimum of four percent of its board-designated endowment fund's principal value as of December 31 of the prior calendar year, plus 20% of the difference between the consumer price index and the total return for JCL's portfolio in the prior calendar year. 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 adopted a spending policy on July 20, 2010, capping the amount withdrawn in any year from the board-designated endowment fund. The annual cap for fiscal years 2011, 2012, and 2013 will be seven, six, and five percent of principal, respectively, 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 \$250,000 with a bank, secured by real estate, expiring June 30, 2012. Interest is payable monthly at the prime rate with a floor of 4.25% (4.25% at June 30, 2011). JCL had borrowings on the line of credit totaling \$238,939 at June 30, 2011 and 2010.

G. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2011</u>	<u>2010</u>
Mortgage payable – monthly payments of \$13,114 through September 2011, including interest of 5.66% at June 30, 2011, interest is adjusted annually until the final maturity date on September 6, 2015.	\$ 2,057,094	\$ 2,095,910
Note payable – bank, monthly payment of \$3,805 through April 2016, including interest of 5.66%.	<u>192,277</u>	<u>-</u>
	2,249,371	2,095,910
Less: current portion	(75,546)	(38,077)
	<u>\$ 2,173,825</u>	<u>\$ 2,057,833</u>

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

G. LONG-TERM DEBT (CONTINUED)

Following are maturities of long-term debt for each of the next five years:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 75,546
2013	80,350
2014	85,084
2015	90,097
2016	87,778
Thereafter	<u>1,830,516</u>
	<u>\$ 2,249,371</u>

H. PENSION 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, 2010 and 2009. The equivalent amounts for June 30, 2011 and 2010 are not available.

	<u>2010</u>	<u>2009</u>
Accrued plan assets available to provide benefits at January 1,	\$ 4,866,928	\$ 3,965,273
Actuarial present value of accumulated plan benefits at January 1,	<u>5,682,546</u>	<u>5,031,511</u>
Excess (deficiency) of accrued plan assets available to provide benefits over actuarial present value of accumulated plan benefits	(<u>\$ 815,618</u>)	(<u>\$1,066,238</u>)

JCL's contributions to the plan totaled \$110,351 each year for the years ended June 30, 2011 and 2010.

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. PENSION 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 period of three years. JCL contributed \$29,894 and \$37,018 to the plan for the years ended June 30, 2011 and 2010, 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 office space, automobiles, and equipment under terms of operating leases. Minimum lease payments required under the operating leases are as follows:

For the fiscal year ending:

2012	\$ 38,970
2013	35,000
2014	35,000
2015	35,000
2016	<u>35,000</u>
	<u>\$ 178,970</u>

Lease expense for the years ended June 30, 2011 and 2010, totaled \$50,968 and \$68,882, respectively.

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 this campaign were \$255,051 and \$391,619 for the years ended June 30, 2011 and 2010, respectively.

L. RECLASSIFICATION

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

**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, 2011 and 2010, and have issued our report thereon dated December 16, 2011, which contained an unqualified 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 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 standard 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
December 16, 2011

JEWISH COMMUNITY OF LOUISVILLE, INC.
SCHEDULE OF OPERATING EXPENSES - GENERAL FUND - INCOME TAX BASIS
YEAR ENDED JUNE 30, 2011

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total General Fund</u>
Salaries and wages	\$ 2,434,168	\$ 262,619	\$ 127,074	\$ 2,823,861
Temporaries	127,554	3,945	-	131,499
Audit	33,987	3,667	1,774	39,428
Auto	26,453	2,854	1,381	30,688
Computer expenses	12,303	1,327	643	14,273
Dues and publications	37,088	4,001	1,936	43,025
Education	8,346	900	436	9,682
Fringe benefits	370,799	40,005	19,357	430,161
Insurance - general	86,246	7,666	1,917	95,829
Interest	125,337	3,876	-	129,213
Repairs and maintenance	403,244	12,471	-	415,715
Marketing	58,647	-	3,100	61,747
Meetings	34,277	3,699	1,789	39,765
Merger expense	-	435	-	435
Miscellaneous	73,670	7,948	3,846	85,464
Office equipment maintenance	52,988	5,717	2,766	61,471
Office expenses	13,045	6,522	2,174	21,741
Programs	394,171	-	29,142	423,313
Postage	39,806	4,295	2,078	46,179
Printing expenses	30,139	3,252	1,573	34,964
Professional fees	1,338	3,345	2,007	6,690
Rent	6,376	25,505	10,628	42,509
Payroll taxes	95,920	10,349	5,007	111,276
Telephone	36,400	3,927	1,900	42,227
Relocation expenses	1,500	7,365	-	8,865
Uncollectible pledge accounts	-	-	21,293	21,293
Utilities	253,440	27,343	13,231	294,014
Commissions	2,404	-	-	2,404
	<u>\$ 4,759,646</u>	<u>\$ 453,033</u>	<u>\$ 255,052</u>	<u>\$ 5,467,731</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
SCHEDULE OF OPERATING EXPENSES - GENERAL FUND - INCOME TAX BASIS
YEAR ENDED JUNE 30, 2010

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total General Fund</u>
Salaries and wages	\$ 2,288,020	\$ 246,851	\$ 119,444	\$ 2,654,315
Temporaries	145,792	4,509	-	150,301
Audit	11,298	1,219	590	13,107
Auto	29,618	3,195	1,547	34,360
Computer expenses	5,619	606	293	6,518
Dues and publications	55,999	6,042	2,923	64,964
Education	5,944	641	311	6,896
Fringe benefits	341,682	36,864	17,837	396,383
Insurance - general	97,812	8,694	2,174	108,680
Interest	128,286	3,968	-	132,254
Repairs and maintenance	350,107	10,828	-	360,935
Marketing	67,932	-	3,575	71,507
Meetings	32,050	3,458	1,673	37,181
Merger expense	-	143,506	-	143,506
Miscellaneous	86,171	9,297	4,498	99,966
Office equipment maintenance	39,563	4,268	2,066	45,897
Office expenses	10,603	5,302	1,767	17,672
Programs	340,979	-	25,665	366,644
Postage	44,202	4,769	2,308	51,279
Printing expenses	32,384	3,494	1,691	37,569
Professional fees	9,509	23,772	14,262	47,543
Rent	7,759	31,034	12,931	51,724
Payroll taxes	227,937	24,592	11,899	264,428
Telephone	35,001	3,776	1,827	40,604
Relocation expenses	2,643	12,906	-	15,549
Uncollectible pledge accounts	-	-	170,594	170,594
Utilities	216,321	23,339	11,292	250,952
Commissions	1,235	-	-	1,235
	<u>\$ 4,614,466</u>	<u>\$ 616,930</u>	<u>\$ 411,167</u>	<u>\$ 5,642,563</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
SCHEDULES OF EXPENSES - ENDOWMENT FUND - INCOME TAX BASIS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010		
	Restricted	Unrestricted	Total	Restricted	Unrestricted	Total
Salaries	\$ -	\$ 68,952	\$ 68,952	\$ -	\$ 154,600	\$ 154,600
Fringe benefits	-	12,882	12,882	-	17,000	17,000
Payroll taxes	-	5,275	5,275	-	23,160	23,160
Computer expenses	-	-	-	-	6,481	6,481
Office expenses	-	2,033	2,033	-	266	266
Postage	-	-	-	-	45	45
Office equipment maintenance	-	1,544	1,544	-	1,800	1,800
Telephone	-	500	500	-	500	500
Rent	-	1,200	1,200	-	1,200	1,200
Meetings	-	-	-	-	(1,241)	(1,241)
Audit	-	-	-	-	20,400	20,400
Programs	19,517	14,566	34,083	593	42,380	42,973
Book publication expense	-	-	-	-	32,293	32,293
Printing expenses	-	-	-	-	162	162
Miscellaneous	53	1,050	1,103	36	-	36
Trust management fee	61,709	29,966	91,675	57,991	25,908	83,899
	<u>\$ 81,279</u>	<u>\$ 137,968</u>	<u>\$ 219,247</u>	<u>\$ 58,620</u>	<u>\$ 324,954</u>	<u>\$ 383,574</u>