

**JEWISH COMMUNITY OF LOUISVILLE, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2012 AND 2011**

**JEWISH COMMUNITY OF LOUISVILLE, INC.  
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YEARS ENDED JUNE 30, 2012 AND 2011**

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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, 2012 and 2011, 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 generally accepted accounting principles.

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, 2012 and 2011, 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  
November 6, 2012

**JEWISH COMMUNITY OF LOUISVILLE, INC.**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS**  
**JUNE 30, 2012**

<u>ASSETS</u>	General Fund	Endowment Fund		Eliminations	Total
		Restricted	Unrestricted		
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 255,583	\$ 1,144	\$ 101,819	\$ -	\$ 358,546
Pledges receivable, less allowance of \$568,000	1,482,142	-	-	-	1,482,142
Grants receivable	170,395	-	-	-	170,395
Membership dues receivable, less allowance of \$971	14,968	-	-	-	14,968
Other accounts receivable	236,672	3,184	-	(69,049)	170,807
Prepaid expenses	11,661	-	-	-	11,661
Inventory	5,614	-	-	-	5,614
Total Current Assets	<u>2,177,035</u>	<u>4,328</u>	<u>101,819</u>	<u>(69,049)</u>	<u>2,214,133</u>
<b>INVESTMENTS</b>					
Marketable securities	4,716	8,460,303	5,423,762	-	13,888,781
Interest in partnerships and other investments	-	75,500	417,537	-	493,037
Investments held in trust by others	-	311,855	-	-	311,855
Investments held for other organizations	-	2,607,120	-	-	2,607,120
Total Investments	<u>4,716</u>	<u>11,454,778</u>	<u>5,841,299</u>	<u>-</u>	<u>17,300,793</u>
<b>CHARITABLE REMAINDER ANNUITY TRUSTS RECEIVABLE</b>					
	<u>-</u>	<u>1,537,931</u>	<u>-</u>	<u>-</u>	<u>1,537,931</u>
<b>PROPERTY AND EQUIPMENT</b>					
Data processing equipment	343,847	-	-	-	343,847
Furniture and equipment	1,214,251	-	-	-	1,214,251
Autos	74,992	-	-	-	74,992
Telephone system	13,545	-	-	-	13,545
Leasehold improvements	47,182	-	-	-	47,182
Land and building	13,213,060	-	-	-	13,213,060
	<u>14,906,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,906,877</u>
Less: accumulated depreciation	(9,262,327)	-	-	-	(9,262,327)
Net Property and Equipment	<u>5,644,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,644,550</u>
<b>OTHER ASSETS</b>					
Loan commitment fee, less amortization of \$3,375	1,625	-	-	-	1,625
Total Other Assets	<u>1,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,625</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,827,926</u>	<u>\$ 12,997,037</u>	<u>\$ 5,943,118</u>	<u>\$ (69,049)</u>	<u>\$ 26,699,032</u>

**JEWISH COMMUNITY OF LOUISVILLE, INC.**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS**  
**JUNE 30, 2012**

<b><u>LIABILITIES AND FUND BALANCES</u></b>	<b>General Fund</b>	<b>Endowment Fund</b>		<b>Eliminations</b>	<b>Total</b>
		<b>Restricted</b>	<b>Unrestricted</b>		
<b>CURRENT LIABILITIES</b>					
Deferred revenues	\$ 2,755,184	\$ -	\$ -	\$ -	\$ 2,755,184
Line of credit	249,886	-	-	-	249,886
Accounts payable	166,844	-	69,049	(69,049)	166,844
Accrued salaries, wages and payroll taxes	82,202	-	-	-	82,202
Miscellaneous current liabilities	407,634	1,315	-	-	408,949
Current portion of long-term debt	88,938	-	-	-	88,938
Total Current Liabilities	<u>3,750,688</u>	<u>1,315</u>	<u>69,049</u>	<u>(69,049)</u>	<u>3,752,003</u>
<b>LONG-TERM DEBT, net of current portion</b>	<u>2,084,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,084,995</u>
<b>INVESTMENTS HELD FOR OTHER ORGANIZATIONS</b>	<u>-</u>	<u>2,607,120</u>	<u>-</u>	<u>-</u>	<u>2,607,120</u>
<b>FUND BALANCES</b>					
Fund balances – unrestricted	1,992,243	-	5,874,069	-	7,866,312
Fund balances – restricted	-	10,388,602	-	-	10,388,602
Total Fund Balances	<u>1,992,243</u>	<u>10,388,602</u>	<u>5,874,069</u>	<u>-</u>	<u>18,254,914</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>					
	<u>\$ 7,827,926</u>	<u>\$ 12,997,037</u>	<u>\$ 5,943,118</u>	<u>\$ (69,049)</u>	<u>\$ 26,699,032</u>

See accompanying Notes to Financial Statements.

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

<u>ASSETS</u>	<u>General Fund</u>	<u>Endowment Fund</u>		<u>Eliminations</u>	<u>Total</u>
		<u>Restricted</u>	<u>Unrestricted</u>		
<b>CURRENT ASSETS</b>					
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	174,568	-	17,193	(100,000)	91,761
Prepaid expenses	21,657	-	-	-	21,657
Inventory	10,110	-	-	-	10,110
Total Current Assets	<u>2,741,596</u>	<u>4,157</u>	<u>51,522</u>	<u>(100,000)</u>	<u>2,697,275</u>
<b>INVESTMENTS</b>					
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>
<b>CHARITABLE REMAINDER ANNUITY TRUSTS RECEIVABLE</b>					
	<u>-</u>	<u>1,645,463</u>	<u>-</u>	<u>-</u>	<u>1,645,463</u>
<b>PROPERTY AND EQUIPMENT</b>					
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	<u>(8,863,863)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,863,863)</u>
Net Property and Equipment	<u>5,853,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,853,485</u>
<b>OTHER ASSETS</b>					
Loan commitment fee, less amortization \$2,875	2,125	-	-	-	2,125
Total Other Assets	<u>2,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,125</u>
<b>TOTAL ASSETS</b>					
	<u>\$ 8,670,445</u>	<u>\$ 13,754,071</u>	<u>\$ 6,465,882</u>	<u>\$ (100,000)</u>	<u>\$ 28,790,398</u>

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

<b><u>LIABILITIES AND FUND BALANCES</u></b>	<u>General Fund</u>	<u>Endowment Fund</u>		<u>Eliminations</u>	<u>Total</u>
		<u>Restricted</u>	<u>Unrestricted</u>		
<b>CURRENT LIABILITIES</b>					
Deferred revenues	\$ 2,948,716	\$ -	\$ -	\$ -	\$ 2,948,716
Line of credit	238,939	-	-	-	238,939
Allocations payable	50,920	-	-	-	50,920
Accounts payable	122,319	48,917	2,228	-	173,464
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>3,885,471</u>	<u>48,917</u>	<u>126,074</u>	<u>(100,000)</u>	<u>3,960,462</u>
<b>LONG-TERM DEBT, net of current portion</b>	<u>2,173,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,173,825</u>
<b>INVESTMENTS HELD FOR OTHER ORGANIZATIONS</b>	<u>-</u>	<u>2,823,665</u>	<u>-</u>	<u>-</u>	<u>2,823,665</u>
<b>FUND BALANCES</b>					
Fund balances – unrestricted	2,611,149	-	6,339,808	-	8,950,957
Fund balances – restricted	-	10,881,489	-	-	10,881,489
Total Fund Balances	<u>2,611,149</u>	<u>10,881,489</u>	<u>6,339,808</u>	<u>-</u>	<u>19,832,446</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <u>\$ 8,670,445</u>	 <u>\$ 13,754,071</u>	 <u>\$ 6,465,882</u>	 <u>\$ (100,000)</u>	 <u>\$ 28,790,398</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, 2012**

	General Fund	Endowment Fund		Total
		Restricted	Unrestricted	
<b>REVENUES</b>				
Pledge income	\$ 2,344,339	\$ -	\$ -	\$ 2,344,339
Membership dues and fees	1,763,746	-	-	1,763,746
Program service income	1,512,191	-	-	1,512,191
Gifts, grants, and bequests	978,939	89,005	20,928	1,088,872
Interest and dividends	1,989	328,709	159,379	490,077
Community newspaper income	117,641	-	-	117,641
Gain on sale of assets	2,453	275,491	135,220	413,164
Miscellaneous income	112,014	13,673	31	125,718
Special events	112,051	-	-	112,051
Rental income	39,178	-	-	39,178
<b>Total Revenues</b>	<b>6,984,541</b>	<b>706,878</b>	<b>315,558</b>	<b>8,006,977</b>
<b>EXPENSES</b>				
Allocations and grants	1,293,188	340,820	319,211	1,953,219
Operating expenses	5,801,248	61,436	46,104	5,908,788
Depreciation	480,135	-	-	480,135
<b>Total Expenses</b>	<b>7,574,571</b>	<b>402,256</b>	<b>365,315</b>	<b>8,342,142</b>
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<b>(590,030)</b>	<b>304,622</b>	<b>(49,757)</b>	<b>(335,165)</b>
<b>INTERFUND TRANSFERS</b>	<b>(28,876)</b>	<b>65,448</b>	<b>(36,572)</b>	<b>-</b>
<b>CHANGE IN UNREALIZED NET LOSSES ON MARKETABLE SECURITIES</b>	<b>-</b>	<b>(862,957)</b>	<b>(379,410)</b>	<b>(1,242,367)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>2,611,149</b>	<b>10,881,489</b>	<b>6,339,808</b>	<b>19,832,446</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,992,243</b>	<b>\$ 10,388,602</b>	<b>\$ 5,874,069</b>	<b>\$ 18,254,914</b>

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	Endowment Fund		Total
	Fund	Restricted	Unrestricted	
<b>REVENUES</b>				
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 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 revenue	30,591	-	-	30,591
<b>Total Revenues</b>	<b>6,413,247</b>	<b>749,368</b>	<b>305,209</b>	<b>7,467,824</b>
<b>EXPENSES</b>				
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
<b>Total Expenses</b>	<b>7,252,796</b>	<b>671,544</b>	<b>434,794</b>	<b>8,359,134</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>(839,549)</b>	<b>77,824</b>	<b>(129,585)</b>	<b>(891,310)</b>
<b>INTERFUND TRANSFERS</b>	<b>804,931</b>	<b>(458,324)</b>	<b>(346,607)</b>	<b>-</b>
<b>CHANGE IN UNREALIZED NET GAINS ON MARKETABLE SECURITIES</b>	<b>-</b>	<b>1,184,495</b>	<b>900,269</b>	<b>2,084,764</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>2,645,767</b>	<b>10,077,494</b>	<b>5,915,731</b>	<b>18,638,992</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 2,611,149</b>	<b>\$ 10,881,489</b>	<b>\$ 6,339,808</b>	<b>\$ 19,832,446</b>

See accompanying Notes to Financial Statements.

**JEWISH COMMUNITY OF LOUISVILLE, INC.**  
**STATEMENTS OF CASH FLOWS – INCOME TAX BASIS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Deficiency of revenues over expenses	\$ (335,165)	\$ (891,310)
Adjustments to reconcile deficiency of revenues over expenses to net cash used in operating activities:		
Depreciation and amortization	480,135	482,241
Uncollectible pledge accounts	55,632	21,293
Net realized gains on sale of investments	(409,985)	(413,144)
Gain on disposal of assets	(3,179)	(51)
Contributions and grants restricted for endowment	(89,005)	(189,608)
(Increase) decrease in assets:		
Receivables	13,507	57,946
Prepaid expenses	9,996	23,058
Inventory	4,496	(570)
Increase (decrease) in liabilities:		
Deferred revenues	(193,532)	(48,256)
Allocations payable	(50,920)	(2,200)
Accounts payable	(6,620)	(5,163)
Accrued salaries, wages and payroll taxes	29,872	(73,770)
Reserve for contingencies	-	(11,385)
Miscellaneous current liabilities	(11,598)	92,775
Net cash used in operating activities	(506,366)	(958,144)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(267,521)	(328,593)
Sales of investments, net	349,863	1,198,738
Net cash provided by investing activities	82,342	870,145
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions and grants restricted for endowment	89,005	189,608
Borrowings on line of credit	10,947	-
Repayments of long-term debt	(75,439)	(44,539)
Proceeds from note payable	-	198,000
Net cash provided by financing activities	24,513	343,069
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(399,511)	255,070
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	758,057	502,987
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 358,546	\$ 758,057
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid during the period for:		
Interest	\$ 136,362	\$ 129,213
<u>Schedule of Noncash Investing and Financing Activities:</u>		
Change in investments held for other organizations	\$ (216,545)	\$ 415,999

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 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 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, 2012 and 2011 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 the annual amortization is \$500.

**Subsequent Events**

JCL has evaluated subsequent events through November 6, 2012, 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 for other organizations at June 30, 2012 and 2011 consisted of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common stock	\$ 9,021,012	\$ 9,622,747	\$ 9,012,856	\$ 10,778,410
Government notes and bonds	380,651	441,997	1,701,023	1,670,619
Money market funds	696,301	696,301	812,538	812,538
Mutual funds	2,785,589	2,917,017	297,321	395,116
Corporate bonds	1,743,762	1,663,016	2,843,672	2,831,606
Pooled investments	18,075	26,015	18,075	26,110
Certificates of deposit GNMA	4,716	4,716	4,780	4,780
	-	-	13,645	15,627
Commodity linked funds	910,605	1,037,418	940,426	1,164,384
Real estate	475,999	398,529	490,627	420,598
	<u>\$16,036,710</u>	<u>\$16,807,756</u>	<u>\$16,134,963</u>	<u>\$18,119,788</u>

**C. INTEREST IN PARTNERSHIPS AND OTHER INVESTMENTS**

Interest in partnerships and other investments consists of the following:

	<u>2012</u>	<u>2011</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	417,537	396,762
	<u>\$ 493,037</u>	<u>\$ 472,262</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 (78 designated funds) and funds held for other organizations (6 organizations) for which they receive a management fee. Fees were received in the amounts of \$89,965 and \$91,675 for 2012 and 2011, 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, 2012:

	<u>Unrestricted</u>	<u>Restricted Fund Balance</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$5,658,889	\$4,729,713	\$10,388,602
Board-designated endowment funds	5,874,069	-	-	5,874,069
Total funds	<u>\$5,874,069</u>	<u>\$5,658,889</u>	<u>\$4,729,713</u>	<u>\$16,262,671</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, 2012:

	<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	\$ 6,339,808	\$ 6,509,547	\$ 4,371,942	\$ 17,221,297
Gifts, grants, and bequests	20,928	-	89,005	109,933
Investment gains	294,599	604,200	-	898,799
Interfund transfers	( 36,572)	( 203,318)	268,766	28,876
Miscellaneous income	31	13,673	-	13,704
Net unrealized investment losses	( 379,410)	( 862,957)	-	( 1,242,367)
Amounts appropriated for expenditure	( 365,315)	( 402,256)	-	( 767,571)
Endowment fund balance, end of year	<u>\$ 5,874,069</u>	<u>\$ 5,658,889</u>	<u>\$ 4,729,713</u>	<u>\$ 16,262,671</u>

Endowment fund balance composition by type of fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Restricted Fund Balance</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$ 6,509,547	\$ 4,371,942	\$ 10,881,489
Board-designated endowment funds	<u>6,339,808</u>	-	-	<u>6,339,808</u>
Total funds	<u>\$ 6,339,808</u>	<u>\$ 6,509,547</u>	<u>\$ 4,371,942</u>	<u>\$ 17,221,297</u>

Changes in endowment fund balance for the year ended June 30, 2011:

	<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	\$ 5,915,731	\$ 5,358,631	\$ 4,718,863	\$ 15,993,225
Gifts, grants, and bequests	15,640	78,205	111,403	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 unrealized investment gains	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>\$ 6,339,808</u>	<u>\$ 6,509,547</u>	<u>\$ 4,371,942</u>	<u>\$ 17,221,297</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 minimum distribution each year of four percent of its endowment fund's principal value as of December 31 of the prior calendar year. If the total endowment fund's return exceeds four percent, an additional appropriation equal to 20 percent of the total difference between; 1) the endowment fund's percentage return less four percent (the minimum distribution) and 2) the percentage change in the consumer price index. 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 2012 and 2013 will be 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, 2013. The interest is payable monthly at the prime rate with a floor of 4.25% (4.25% at June 30, 2012). JCL had borrowings on the line of credit totaling \$249,886 and \$238,939 at June 30, 2012 and 2011, respectively.

On October 18, 2012, the line of credit was increased to \$500,000. The interest is payable monthly at the prime rate with a floor of 3.25%.

**G. LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>2012</u>	<u>2011</u>
Mortgage payable – monthly payments of \$13,114 including interest of 5.66% at June 30, 2012, interest is adjusted annually until the final maturity date on September 6, 2015.	\$ 2,017,172	\$ 2,057,094
Note payable – bank, monthly payments of \$3,805 through April 2016, including interest of 5.66%.	<u>156,761</u>	<u>192,277</u>
	2,173,933	2,249,371
Less: current portion	( 88,938)	( 75,546)
	<u>\$ 2,084,995</u>	<u>\$ 2,173,825</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>
2013	88,938
2014	85,084
2015	90,097
2016	84,422
2017	53,704
Thereafter	<u>1,771,688</u>
	<u>\$ 2,173,933</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, 2011 and 2010. The equivalent amounts for June 30, 2012 and 2011 are not available.

	<u>2011</u>	<u>2010</u>
Accrued plan assets available to provide benefits at January 1,	\$ 4,694,440	\$ 4,866,928
Actuarial present value of accumulated plan benefits at January 1,	<u>5,414,814</u>	<u>5,682,546</u>
Excess (deficiency) of accrued plan assets available to provide benefits over actuarial present value of accumulated plan benefits	( <u>\$ 720,374</u> )	( <u>\$ 815,618</u> )

JCL's contributions to the plan totaled \$110,351 each year for the years ended June 30, 2012 and 2011.

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 service period of three years. JCL contributed \$31,458 and \$29,894 to the plan for the years ended June 30, 2012 and 2011, 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. Lease expense for the years ended June 30, 2012 and 2011, totaled \$63,564 and \$50,968, 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 \$329,466 and \$255,052 for the years ended June 30, 2012 and 2011, respectively.

**L. RECLASSIFICATIONS**

The beginning fund balances as of July 1, 2012, were reclassified to correct the fund balances. The net effect of this correction was to adjust the beginning fund balances between funds, and therefore, there was no net effect on the statement of revenues, expenses, and change in fund balances – income tax basis.

**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, 2012 and 2011, and our report thereon dated November 6, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. 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 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  
November 6, 2012

**JEWISH COMMUNITY OF LOUISVILLE, INC.**  
**SCHEDULE OF OPERATING EXPENSES - GENERAL FUND - INCOME TAX BASIS**  
**YEAR ENDED JUNE 30, 2012**

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total General Fund</u>
Salaries and wages	\$ 2,396,915	\$ 258,600	\$ 125,130	\$ 2,780,645
Temporary labor	153,281	4,741	-	158,022
Audit	44,148	4,763	2,304	51,215
Auto	31,850	3,436	1,663	36,949
Computer expenses	728	78	38	844
Dues and publications	53,010	5,719	2,767	61,496
Education	18,815	2,029	983	21,827
Fringe benefits	334,149	36,051	17,444	387,644
Insurance - general	75,824	6,740	1,685	84,249
Interest	132,272	4,090	-	136,362
Marketing	53,300	-	2,817	56,117
Meetings	52,908	5,710	2,761	61,379
Miscellaneous	75,622	8,159	3,948	87,729
Missions	7,860	848	410	9,118
Office equipment maintenance	36,659	18,328	6,109	61,096
Office expenses	19,967	-	1,452	21,419
Payroll taxes	164,828	17,782	8,604	191,214
Postage	35,052	3,782	1,829	40,663
Printing expenses	8,023	20,059	12,035	40,117
Professional/management fees	13,445	53,784	22,412	89,641
Programs	464,955	50,168	24,272	539,395
Relocation expenses	-	-	13,286	13,286
Rent	56,901	6,139	2,970	66,010
Repairs and maintenance	433,296	13,400	-	446,696
Telephone	7,472	36,690	-	44,162
Uncollectible pledge accounts	47,955	5,174	2,503	55,632
Utilities	258,321	-	-	258,321
	<u>\$ 4,977,556</u>	<u>\$ 566,270</u>	<u>\$ 257,422</u>	<u>\$ 5,801,248</u>

**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
Temporary labor	127,554	3,945	-	131,499
Audit	33,987	3,667	1,774	39,428
Auto	26,453	2,854	1,381	30,688
Commissions	2,404	-	-	2,404
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
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
Payroll taxes	95,920	10,349	5,007	111,276
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
Programs	394,171	-	29,142	423,313
Relocation expenses	1,500	7,365	-	8,865
Rent	6,376	25,505	10,628	42,509
Repairs and maintenance	403,244	12,471	-	415,715
Telephone	36,400	3,927	1,900	42,227
Uncollectible pledge accounts	-	-	21,293	21,293
Utilities	253,440	27,343	13,231	294,014
	<u>\$ 4,759,646</u>	<u>\$ 453,033</u>	<u>\$ 255,052</u>	<u>\$ 5,467,731</u>

**JEWISH COMMUNITY OF LOUISVILLE, INC.**  
**SCHEDULES OF OPERATING EXPENSES - ENDOWMENT FUND - INCOME TAX BASIS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	2012			2011		
	Restricted	Unrestricted	Total	Restricted	Unrestricted	Total
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 68,952	\$ 68,952
Fringe benefits	-	-	-	-	12,882	12,882
Payroll taxes	-	-	-	-	5,275	5,275
Office expenses	-	-	-	-	2,033	2,033
Office equipment maintenance	-	-	-	-	1,544	1,544
Interest	34	-	34	-	-	-
Telephone	-	-	-	-	500	500
Rent	-	-	-	-	1,200	1,200
Programs	-	17,455	17,455	19,517	14,566	34,083
Miscellaneous	41	45	86	53	1,050	1,103
Trust management fee	61,361	28,604	89,965	61,709	29,966	91,675
	<u>\$ 61,436</u>	<u>\$ 46,104</u>	<u>\$ 107,540</u>	<u>\$ 81,279</u>	<u>\$ 137,968</u>	<u>\$ 219,247</u>