

JEWISH COMMUNITY OF LOUISVILLE, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2016 AND 2015

JEWISH COMMUNITY OF LOUISVILLE, INC.
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YEARS ENDED JUNE 30, 2016 AND 2015

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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 as of June 30, 2016 and 2015, 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, 2016 and 2015, 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 of 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
November 22, 2016

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS
JUNE 30, 2016

<u>ASSETS</u>	Endowment Fund			Eliminations	Total
	General Fund	Restricted	Unrestricted		
CURRENT ASSETS					
Cash and cash equivalents	\$ 191,640	\$ 17,530	\$ 14,881	\$ -	\$ 224,051
Pledges receivable, less allowance of \$211,926	1,325,220	-	-	-	1,325,220
Grants receivable	76,410	-	-	-	76,410
Membership dues receivable	50,497	-	-	-	50,497
Other accounts receivable	149,220	-	-	-	149,220
Prepaid expenses	64,137	-	-	-	64,137
Inventory	1,677	-	-	-	1,677
Total Current Assets	<u>1,858,801</u>	<u>17,530</u>	<u>14,881</u>	<u>-</u>	<u>1,891,212</u>
INVESTMENTS					
Marketable securities	-	11,545,076	5,748,530	-	17,293,606
Interest in partnerships and other investments	-	35,500	461,591	-	497,091
Investments held in trust by others	-	354,580	-	-	354,580
Investments held for other organizations	-	4,147,998	-	-	4,147,998
Total Investments	<u>-</u>	<u>16,083,154</u>	<u>6,210,121</u>	<u>-</u>	<u>22,293,275</u>
CHARITABLE REMAINDER ANNUITY TRUSTS RECEIVABLE					
	<u>-</u>	<u>1,815,526</u>	<u>-</u>	<u>-</u>	<u>1,815,526</u>
PROPERTY AND EQUIPMENT					
Data processing equipment	494,205	-	-	-	494,205
Furniture and equipment	1,679,301	-	-	-	1,679,301
Autos	145,704	-	-	-	145,704
Telephone system	13,545	-	-	-	13,545
Leasehold improvements	47,182	-	-	-	47,182
Land and building	14,065,472	-	-	-	14,065,472
	16,445,409	-	-	-	16,445,409
Less: accumulated depreciation	(11,335,045)	-	-	-	(11,335,045)
Net Property and Equipment	<u>5,110,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,110,364</u>
OTHER ASSETS					
Loan costs	10,785	-	-	-	10,785
Total Other Assets	<u>10,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,785</u>
TOTAL ASSETS	<u>\$ 6,979,950</u>	<u>\$ 17,916,210</u>	<u>\$ 6,225,002</u>	<u>\$ -</u>	<u>\$ 31,121,162</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS
JUNE 30, 2016

<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	\$ 3,183,035	\$ -	\$ -	\$ -	\$ 3,183,035
Accounts payable	64,951	-	-	-	64,951
Accrued salaries, wages and payroll taxes	156,214	-	-	-	156,214
Miscellaneous current liabilities	1,975,305	-	-	-	1,975,305
Current portion of capital lease obligation	21,450	-	-	-	21,450
Current portion of long-term debt	90,140	-	-	-	90,140
Total Current Liabilities	<u>5,491,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,491,095</u>
LONG-TERM DEBT					
Notes payable, net of current portion	2,467,276	-	-	-	2,467,276
Capital lease obligation, net of current portion	50,091	-	-	-	50,091
	<u>2,517,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,517,367</u>
OTHER LIABILITIES					
Investments held for other organizations	-	4,147,998	-	-	4,147,998
Total Other Liabilities	<u>-</u>	<u>4,147,998</u>	<u>-</u>	<u>-</u>	<u>4,147,998</u>
FUND BALANCES					
Fund balances – unrestricted	(1,028,512)	-	6,225,002	-	5,196,490
Fund balances – restricted	-	13,768,212	-	-	13,768,212
Total Fund Balances	<u>(1,028,512)</u>	<u>13,768,212</u>	<u>6,225,002</u>	<u>-</u>	<u>18,964,702</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,979,950</u>	<u>\$ 17,916,210</u>	<u>\$ 6,225,002</u>	<u>\$ -</u>	<u>\$ 31,121,162</u>

See accompanying Notes to Financial Statements.

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS
JUNE 30, 2015

<u>ASSETS</u>	General Fund	Endowment Fund		Eliminations	Total
	Restricted	Unrestricted			
CURRENT ASSETS					
Cash and cash equivalents	\$ 180,355	\$ 4,442	\$ 14,917	\$ -	\$ 199,714
Pledges receivable, less allowance of \$212,026	1,138,579	-	-	-	1,138,579
Grants receivable	78,765	-	-	-	78,765
Membership dues receivable	55,656	-	-	-	55,656
Other accounts receivable	120,520	-	-	-	120,520
Prepaid expenses	66,743	-	-	-	66,743
Inventory	2,523	-	-	-	2,523
Total Current Assets	<u>1,643,141</u>	<u>4,442</u>	<u>14,917</u>	<u>-</u>	<u>1,662,500</u>
INVESTMENTS					
Marketable securities	-	11,154,220	6,015,401	-	17,169,621
Interest in partnerships and other investments	-	75,500	461,591	-	537,091
Investments held in trust by others	-	390,373	-	-	390,373
Investments held for other organizations	-	4,224,700	-	-	4,224,700
Total Investments	<u>-</u>	<u>15,844,793</u>	<u>6,476,992</u>	<u>-</u>	<u>22,321,785</u>
CHARITABLE REMAINDER ANNUITY TRUSTS RECEIVABLE					
	<u>-</u>	<u>1,933,615</u>	<u>-</u>	<u>-</u>	<u>1,933,615</u>
PROPERTY AND EQUIPMENT					
Data processing equipment	456,740	-	-	-	456,740
Furniture and equipment	1,667,397	-	-	-	1,667,397
Autos	145,704	-	-	-	145,704
Telephone system	13,545	-	-	-	13,545
Leasehold improvements	47,182	-	-	-	47,182
Land and building	13,859,700	-	-	-	13,859,700
	<u>16,190,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,190,268</u>
Less: accumulated depreciation	<u>(10,745,214)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,745,214)</u>
Net Property and Equipment	<u>5,445,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,445,054</u>
OTHER ASSETS					
Loan costs, less amortization \$22,500	5,000	-	-	-	5,000
Interfund receivables	-	6,061	-	(6,061)	-
Total Other Assets	<u>5,000</u>	<u>6,061</u>	<u>-</u>	<u>(6,061)</u>	<u>5,000</u>
TOTAL ASSETS	<u>\$ 7,093,195</u>	<u>\$ 17,788,911</u>	<u>\$ 6,491,909</u>	<u>\$ (6,061)</u>	<u>\$ 31,367,954</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS
JUNE 30, 2015

<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	\$ 3,138,944	\$ -	\$ -	\$ -	\$ 3,138,944
Accounts payable	123,906	9,829	-	-	133,735
Accrued salaries, wages and payroll taxes	137,035	-	-	-	137,035
Line of credit	340,000	-	-	-	340,000
Miscellaneous current liabilities	2,021,281	-	-	-	2,021,281
Current portion of capital lease obligation	48,183	-	-	-	48,183
Current portion of long-term debt	81,529	-	-	-	81,529
Total Current Liabilities	<u>5,890,878</u>	<u>9,829</u>	<u>-</u>	<u>-</u>	<u>5,900,707</u>
LONG-TERM DEBT, net of current portion					
Notes payable, net of current portion	1,830,126	-	-	-	1,830,126
Capital lease obligation, net of current portion	71,494	-	-	-	71,494
	<u>1,901,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,901,620</u>
OTHER LIABILITIES					
Investments held for other organizations	-	4,224,700	-	-	4,224,700
Interfund payables	6,061	-	-	(6,061)	-
Total Other Liabilities	<u>6,061</u>	<u>4,224,700</u>	<u>-</u>	<u>(6,061)</u>	<u>4,224,700</u>
FUND BALANCES					
Fund balances – unrestricted	(705,364)	-	6,491,909	-	5,786,545
Fund balances – restricted	-	13,554,382	-	-	13,554,382
Total Fund Balances	<u>(705,364)</u>	<u>13,554,382</u>	<u>6,491,909</u>	<u>-</u>	<u>19,340,927</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 7,093,195</u>	 <u>\$ 17,788,911</u>	 <u>\$ 6,491,909</u>	 <u>\$ (6,061)</u>	 <u>\$ 31,367,954</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, 2016

	General Fund	Endowment Fund		Total
		Restricted	Unrestricted	
REVENUES				
Pledge income	\$ 1,991,603	\$ -	\$ -	\$ 1,991,603
Membership dues and fees	1,912,098	-	-	1,912,098
Program service income	2,245,148	-	-	2,245,148
Gifts, grants, and bequests	782,145	917,156	-	1,699,301
Interest and dividends	2,494	338,567	113,052	454,113
Community newspaper income	80,633	-	-	80,633
Loss on sale of assets	(25,009)	(9,538)	(18,100)	(52,647)
Miscellaneous income	55,031	-	-	55,031
Special events	124,917	-	-	124,917
Rental income	1,011	-	-	1,011
Endowment funds released from restrictions	471,271	(270,701)	(200,570)	-
Total Revenues	7,641,342	975,484	(105,618)	8,511,208
EXPENSES				
Allocations and grants	700,568	183,880	-	884,448
Operating expenses	6,653,461	74,047	20,660	6,748,168
Depreciation and amortization	610,461	-	-	610,461
Total Expenses	7,964,490	257,927	20,660	8,243,077
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(323,148)	717,557	(126,278)	268,131
CHANGE IN UNREALIZED NET GAINS (LOSSES) ON MARKETABLE SECURITIES	-	(503,727)	(140,629)	(644,356)
FUND BALANCES, BEGINNING OF YEAR	(705,364)	13,554,382	6,491,909	19,340,927
FUND BALANCES, END OF YEAR	\$ (1,028,512)	\$ 13,768,212	\$ 6,225,002	\$ 18,964,702

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, 2015

	General Fund	Endowment Fund		Total
		Restricted	Unrestricted	
REVENUES				
Pledge income	\$ 1,898,634	\$ -	\$ -	\$ 1,898,634
Membership dues and fees	1,846,124	-	-	1,846,124
Program service income	2,102,315	-	-	2,102,315
Gifts, grants, and bequests	951,562	1,420,074	21,438	2,393,074
Interest and dividends	2,377	294,525	126,060	422,962
Community newspaper income	77,438	-	-	77,438
Gain on sale of assets	-	41,432	73,087	114,519
Miscellaneous income	115,247	-	-	115,247
Special events	118,707	-	-	118,707
Rental revenue	9,723	-	-	9,723
Endowment funds released from restrictions	602,989	(293,969)	(309,020)	-
Total Revenues	7,725,116	1,462,062	(88,435)	9,098,743
EXPENSES				
Allocations and grants	694,764	191,658	25,001	911,423
Operating expenses	6,732,336	74,085	27,276	6,833,697
Defined benefit plan termination expense	1,800,000	-	-	1,800,000
Depreciation and amortization	550,433	-	-	550,433
Total Expenses	9,777,533	265,743	52,277	10,095,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(2,052,417)	1,196,319	(140,712)	(996,810)
CHANGE IN UNREALIZED NET GAINS (LOSSES) ON MARKETABLE SECURITIES	-	(343,763)	(135,461)	(479,224)
FUND BALANCES, BEGINNING OF YEAR	1,347,053	12,701,826	6,768,082	20,816,961
FUND BALANCES, END OF YEAR	\$ (705,364)	\$ 13,554,382	\$ 6,491,909	\$ 19,340,927

See accompanying Notes to Financial Statements.

JEWISH COMMUNITY OF LOUISVILLE, INC.
STATEMENTS OF CASH FLOWS – INCOME TAX BASIS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess (deficiency) of revenues over expenses	\$ 268,131	\$ (996,810)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash used in operating activities:		
Depreciation and amortization	610,461	550,433
Uncollectible pledge accounts	72,273	150,665
Net realized (gains) losses on sale of investments	27,638	(114,519)
Loss on disposal of assets	25,009	-
Contributions and grants restricted for endowment	(917,156)	(1,420,074)
(Increase) decrease in assets:		
Receivables	(280,100)	129,892
Prepaid expenses	2,606	(10,908)
Inventory	846	96
Increase (decrease) in liabilities:		
Deferred revenues	44,091	(164,593)
Accounts payable	(68,784)	(194,238)
Accrued salaries, wages, and payroll taxes	19,179	30,191
Miscellaneous current liabilities	(45,976)	1,799,507
Net cash used in operating activities	(241,782)	(240,358)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(344,007)	(624,845)
Purchases of investments, net	(602,097)	(953,687)
Net cash used in investing activities	(946,104)	(1,578,532)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions and grants restricted for endowment	917,156	1,420,074
Proceeds from long-term debt	2,615,375	-
Loan costs	(10,785)	-
Borrowings (payments) on line of credit	(340,000)	340,000
Repayments of long-term debt	(1,969,523)	(100,655)
Net cash provided by financing activities	1,212,223	1,659,419
NET CHANGE IN CASH AND CASH EQUIVALENTS	24,337	(159,471)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	199,714	359,185
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 224,051	\$ 199,714
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid during the period for:		
Interest	\$ 103,276	\$ 95,120
<u>Schedule of Noncash Investing and Financing Activities:</u>		
Change in investments held for other organizations	\$ (76,702)	\$ 761,576
Capital lease obligation incurred for use of equipment	\$ -	\$ 146,000

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 are not expected to 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, 2016 and 2015 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 Costs

Loan costs associated with the property mortgage are being amortized on the straight-line basis over the term of the debt (10 years). On October 13, 2015, JCL refinanced its mortgage and incurred loan costs totaling \$10,785. The fee is being amortized on the straight-line method over the remaining term of the debt and the annual amortization is \$1,078. Loan costs related to the previous mortgage were written off.

Subsequent Events

JCL has evaluated subsequent events through November 22, 2016, 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, 2016 and 2015 consisted of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common stock	\$10,349,490	\$12,461,473	\$ 9,935,304	\$ 12,481,495
Government notes and bonds	225,963	237,400	301,718	299,153
Money market funds	2,013,954	2,013,954	1,793,752	1,793,752
Mutual funds	941,580	910,712	905,894	899,831
Equities – ETF	254,311	278,664	254,311	305,906
Fixed income – ETF	2,243,913	2,269,302	2,607,130	2,563,825
Corporate bonds	2,463,804	2,255,320	2,142,457	2,063,946
Certificates of deposit GNMA	33,407	33,407	52,000	52,000
	-	-	16,960	15,680
Commodity linked funds	745,365	694,065	709,002	716,915
Real estate	<u>611,001</u>	<u>641,887</u>	<u>602,298</u>	<u>592,191</u>
	<u>\$19,882,788</u>	<u>\$21,796,184</u>	<u>\$19,320,826</u>	<u>\$21,784,694</u>

C. INTEREST IN PARTNERSHIPS AND OTHER INVESTMENTS

Interest in partnerships and other investments consists of the following:

	<u>2016</u>	<u>2015</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
• .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>461,591</u>	<u>461,591</u>
	<u>\$ 497,091</u>	<u>\$ 537,091</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 each year for 2016 and 2015.

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, 2016:

	<u>Unrestricted</u>	<u>Restricted Fund Balance</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$6,088,091	\$7,680,121	\$13,768,212
Board-designated endowment funds	<u>6,225,002</u>	-	-	<u>6,225,002</u>
Total funds	<u>\$6,225,002</u>	<u>\$6,088,091</u>	<u>\$7,680,121</u>	<u>\$19,993,214</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, 2016:

	<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	\$ 6,491,909	\$ 7,293,966	\$ 6,260,416	\$ 20,046,291
Gifts, grants, and bequests	-	-	917,156	917,156
Investment gains	94,952	65,807	263,222	423,981
Interfund transfers	(200,570)	(510,028)	239,327	(471,271)
Net unrealized investment losses	(140,629)	(503,727)	-	(644,356)
Amounts appropriated for expenditure	(20,660)	(257,927)	-	(278,587)
Endowment fund balance, end of year	<u>\$ 6,225,002</u>	<u>\$ 6,088,091</u>	<u>\$ 7,680,121</u>	<u>\$ 19,993,214</u>

Endowment fund balance composition by type of fund as of June 30, 2015:

	<u>Unrestricted</u>	<u>Restricted Fund Balance</u>		<u>Total Endowment</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$ 7,293,966	\$ 6,260,416	\$ 13,554,382
Board-designated endowment funds	6,491,909	-	-	6,491,909
Total funds	<u>\$ 6,491,909</u>	<u>\$ 7,293,966</u>	<u>\$ 6,260,416</u>	<u>\$ 20,046,291</u>

Changes in endowment fund balance for the year ended June 30, 2015:

	<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	\$ 6,768,082	\$ 7,516,320	\$ 5,185,506	\$ 19,469,908
Gifts, grants, and bequests	21,438	-	1,420,074	1,441,512
Investment gains	199,147	67,192	268,765	535,104
Interfund transfers	-	613,929	(613,929)	-
Net unrealized investment losses	(135,461)	(343,763)	-	(479,224)
Amounts appropriated for expenditure	(361,297)	(559,712)	-	(921,009)
Endowment fund balance, end of year	<u>\$ 6,491,909</u>	<u>\$ 7,293,966</u>	<u>\$ 6,260,416</u>	<u>\$ 20,046,291</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 2016 and 2015 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 16, 2016. Interest is payable monthly at the prime rate with a floor of 3.25%. There were no borrowings on the line of credit as of June 30, 2016. JCL had borrowings on the line of credit totaling \$340,000 at June 30, 2015. On October 4, 2016, the line was renewed at the same terms through October 15, 2017.

G. LONG-TERM DEBT

Long-term debt consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Mortgage payable – monthly payments of \$15,761 through October 12, 2018, including interest of 3.88%, with a balloon payment due October 12, 2025. See refinance note below.	\$ 2,557,416	\$ 1,875,355
Note payable – bank, monthly payments of \$3,697 through April 2016, including interest of 3.99%.	-	36,300
Capital lease for the acquisition of fitness equipment – monthly payments of \$4,332 through November 2017, including interest imputed at 3.89%.	<u>71,541</u>	<u>119,677</u>
	2,628,957	2,031,332
Less: current portion	(<u>111,590</u>)	(<u>129,712</u>)
	<u>\$ 2,517,367</u>	<u>\$ 1,901,620</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

G. LONG-TERM DEBT (CONTINUED)

Refinance - On October 12, 2015, JCL refinanced the mortgage, and added the line of credit balance as of that date, into a new mortgage totaling \$2,615,375. The new mortgage will be amortized over 20 years, with a balloon payment due October 12, 2025, with monthly payments of \$15,761, including a fixed interest rate of 3.88% through October 12, 2018, and a variable rate through October 12, 2025, equal to the prime rate, which can be increased no more than 2% each year, with a maximum rate of 10.88%. Five year maturities for the mortgage include the new mortgage terms.

Maturities of the mortgage, note payable, and capital lease are as follows:

Year Ending June 30,	Mortgage and Note	Gross Lease Payments	Less Amount Representing Interest	Principal Portion	Total
2017	\$ 91,560	51,984	1,895	50,089	141,649
2018	95,176	21,614	163	21,451	116,627
2019	98,163	-	-	-	98,163
2020	101,647	-	-	-	101,647
2021	105,662	-	-	-	105,662

Exercise equipment held through a capital lease agreement at June 30, 2016 was as follows:

Cost included in furniture and equipment	\$ 146,979
Less accumulated depreciation	<u>(46,543)</u>
Net book value	<u>\$ 100,436</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, 2016 and 2015. The equivalent amounts for June 30, 2016 and 2015 are not available.

	<u>2016</u>	<u>2015</u>
Accrued plan assets available to provide benefits at January 1,	\$ 6,313,543	\$ 6,011,649
Actuarial present value of accumulated plan benefits at January 1,	<u>7,195,678</u>	<u>6,852,870</u>
Excess (deficiency) of accrued plan assets available to provide benefits over actuarial present value of accumulated plan benefits	<u>(\$ 882,135)</u>	<u>(\$ 841,221)</u>

JCL contributions to the plan totaled \$115,200 for the year ended June 30, 2015. No contributions were made during the year ended June 30, 2016.

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.

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

H. EMPLOYEE BENEFIT PLANS (CONTINUED)

Subsequent Event - On February 2, 2015, JCL's board of directors voted to terminate the defined benefit pension plan (the "Plan"). On July 27, 2015, JCL sent a determination request to the Internal Revenue Service with respect to the termination of the Plan with a proposed date of August 1, 2015. During 2015, JCL had a preliminary plan termination costing performed, and it was determined that the plan assets were insufficient to cover plan termination liabilities in the estimated amount of \$1,800,000. JCL entered into an agreement with the Plan to commit to make the Plan assets sufficient at termination, resulting in an accrued expense of \$1,800,000 as of June 30, 2015. During 2016, the plan termination costing was reevaluated, resulting in a reduction of the original estimated liability to \$1,750,000, which is included in miscellaneous current liabilities as of June 30, 2016. On August 25, 2016, JCL received a favorable determination for termination of the Plan from the Internal Revenue Service effective August 1, 2015. All Plan benefits are expected to be paid to participants by December 31, 2016.

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 \$135,495 and \$94,360 to the plan for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, totaled \$22,955 and \$47,617, respectively. Future obligations over the primary terms of the long-term leases as of June 30, 2016 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 15,284
2018	4,457
Thereafter	<u>-</u>
Total	<u>\$ 19,741</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 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 \$277,316 and \$281,616 for the years ended June 30, 2016 and 2015, respectively.

L. RECLASSIFICATION

Certain accounts in the 2015 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2016 financial statements.

**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, 2016 and 2015, and have issued our report thereon dated November 22, 2016, 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
November 22, 2016

JEWISH COMMUNITY OF LOUISVILLE, INC.
SCHEDULE OF OPERATING EXPENSES - GENERAL FUND - INCOME TAX BASIS
YEAR ENDED JUNE 30, 2016

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total General Fund</u>
Salaries and wages	\$ 2,926,271	\$ 315,711	\$ 152,764	\$ 3,394,746
Temporary labor	271,617	8,401	-	280,018
Audit	59,706	6,442	3,116	69,264
Auto	22,953	2,476	1,198	26,627
Credit card fees	94,912	-	10,546	105,458
Dues and publications	75,850	8,183	3,959	87,992
Education	32,937	3,552	1,721	38,210
Employee benefits	178,271	19,233	9,306	206,811
Insurance - general	72,113	6,410	1,603	80,126
Interest	100,178	3,098	-	103,276
Marketing	43,672	-	2,308	45,980
Meetings	37,374	4,033	1,951	43,358
Miscellaneous	73,658	7,947	3,845	85,450
Office equipment maintenance	9,086	1,136	1,136	11,357
Office expenses	17,326	-	1,260	18,586
Payroll taxes	227,417	24,535	11,871	263,823
Postage	31,881	3,440	1,664	36,985
Printing expenses	10,822	27,055	16,233	54,110
Professional/management fees	6,039	10,066	4,026	20,131
Programs	652,625	70,417	34,069	757,111
Relocation expenses	16,846	-	-	16,846
Rentals/leases	19,787	2,135	1,033	22,955
Repairs and maintenance	451,496	13,963	-	465,459
Telephone	27,414	27,414	13,707	68,535
Uncollectible pledge accounts	-	72,273	-	72,273
Utilities	277,974	-	-	277,974
	<u>\$ 5,738,225</u>	<u>\$ 637,920</u>	<u>\$ 277,316</u>	<u>\$ 6,653,461</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
SCHEDULE OF OPERATING EXPENSES - GENERAL FUND - INCOME TAX BASIS
YEAR ENDED JUNE 30, 2015

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total General Fund</u>
Salaries and wages	\$ 2,819,019	\$ 304,140	\$ 147,165	\$ 3,270,324
Temporary labor	214,396	6,631	-	221,027
Audit	52,305	5,643	2,730	60,678
Auto	18,640	2,012	973	21,625
Dues and publications	48,301	5,211	2,521	56,033
Education	33,775	3,643	1,764	39,182
Employee benefits	299,674	32,332	15,644	347,650
Insurance - general	71,480	6,354	1,589	79,423
Interest	92,267	2,853	-	95,120
Marketing	45,924	-	2,428	48,352
Meetings	38,219	4,125	1,995	44,339
Miscellaneous	146,695	15,826	7,658	170,179
Office equipment maintenance	14,508	1,814	1,814	18,136
Office expenses	19,120	-	1,390	20,510
Payroll taxes	218,428	23,565	11,401	253,394
Postage	38,290	4,132	1,998	44,420
Printing expenses	11,360	28,398	17,040	56,798
Professional/management fees	19,029	31,715	12,686	63,430
Programs	674,797	72,809	35,227	782,833
Relocation expenses	21,420	-	-	21,420
Rentals/leases	41,046	4,428	2,143	47,617
Repairs and maintenance	461,396	14,269	-	475,665
Telephone	26,901	26,901	13,450	67,252
Uncollectible pledge accounts	-	150,665	-	150,665
Utilities	276,264	-	-	276,264
	<u>\$ 5,703,254</u>	<u>\$ 747,466</u>	<u>\$ 281,616</u>	<u>\$ 6,732,336</u>

JEWISH COMMUNITY OF LOUISVILLE, INC.
SCHEDULES OF OPERATING EXPENSES - ENDOWMENT FUND - INCOME TAX BASIS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Miscellaneous	\$ 77	\$ 35	\$ 112	\$ 191	\$ 35	\$ 226
Trust management fee	<u>73,970</u>	<u>20,625</u>	<u>94,595</u>	<u>73,894</u>	<u>27,241</u>	<u>101,135</u>
	<u>\$ 74,047</u>	<u>\$ 20,660</u>	<u>\$ 94,707</u>	<u>\$ 74,085</u>	<u>\$ 27,276</u>	<u>\$ 101,361</u>