

**JEWISH COMMUNITY OF LOUISVILLE, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2015 AND 2014**

**JEWISH COMMUNITY OF LOUISVILLE, INC.  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Assets, Liabilities, and Fund Balances – Income Tax Basis .....	2-3
Statements of Revenues, Expenses, and Changes in Fund Balances – Income Tax Basis .....	4-5
Statements of Cash Flows – Income Tax Basis .....	6
Notes to Financial Statements .....	7-14
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION.....	15
SUPPLEMENTARY INFORMATION	
Schedules of Expenses – General Fund – Income Tax Basis .....	16-17
Schedules of Expenses – Endowment Fund – Income Tax Basis .....	18

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Jewish Community of Louisville, Inc. (JCL) (a nonprofit organization), which comprise the statements of assets, liabilities, and fund balances – income tax basis of as of June 30, 2015 and 2014, 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, 2015 and 2014, 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  
October 21, 2015

**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		
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 180,355	\$ 4,442	\$ 14,917	\$ -	\$ 199,714
Pledges receivable, less allowance of \$308,358	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>
<b>INVESTMENTS</b>					
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>
<b>CHARITABLE REMAINDER ANNUITY TRUSTS RECEIVABLE</b>					
	<u>-</u>	<u>1,933,615</u>	<u>-</u>	<u>-</u>	<u>1,933,615</u>
<b>PROPERTY AND EQUIPMENT</b>					
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	(10,745,214)	-	-	-	(10,745,214)
Net Property and Equipment	<u>5,445,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,445,054</u>
<b>OTHER ASSETS</b>					
Loan commitment fee, less amortization of \$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>
<b>TOTAL ASSETS</b>	<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><b>LIABILITIES AND FUND BALANCES</b></u>	<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	\$ 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>
<b>LONG-TERM DEBT</b>					
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>
<b>OTHER LIABILITIES</b>					
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>
<b>FUND BALANCES</b>					
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>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<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 ASSETS, LIABILITIES, AND FUND BALANCES – INCOME TAX BASIS**  
**JUNE 30, 2014**

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

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

<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	\$ 3,303,537	\$ -	\$ -	\$ -	\$ 3,303,537
Accounts payable	316,032	11,941	-	-	327,973
Accrued salaries, wages and payroll taxes	106,844	-	-	-	106,844
Miscellaneous current liabilities	221,774	-	-	-	221,774
Current portion of long-term debt	100,659	-	-	-	100,659
<b>Total Current Liabilities</b>	<b><u>4,048,846</u></b>	<b><u>11,941</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>4,060,787</u></b>
<b>LONG-TERM DEBT, net of current portion</b>	<b><u>1,911,651</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,911,651</u></b>
<b>OTHER LIABILITIES</b>					
Investments held for other organizations	-	3,463,124	-	-	3,463,124
Interfund payables	21,723	-	-	(21,723)	-
<b>Total Other Liabilities</b>	<b><u>21,723</u></b>	<b><u>3,463,124</u></b>	<b><u>-</u></b>	<b><u>(21,723)</u></b>	<b><u>3,463,124</u></b>
<b>FUND BALANCES</b>					
Fund balances – unrestricted	1,347,053	-	6,768,082	-	8,115,135
Fund balances – restricted	-	12,701,826	-	-	12,701,826
<b>Total Fund Balances</b>	<b><u>1,347,053</u></b>	<b><u>12,701,826</u></b>	<b><u>6,768,082</u></b>	<b><u>-</u></b>	<b><u>20,816,961</u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b><u>\$ 7,329,273</u></b>	 <b><u>\$ 16,176,891</u></b>	 <b><u>\$ 6,768,082</u></b>	 <b><u>\$ (21,723)</u></b>	 <b><u>\$ 30,252,523</u></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, 2015**

	General Fund	Endowment Fund		Total
		Restricted	Unrestricted	
<b>REVENUES</b>				
Pledge income	\$ 1,898,634	\$ -	\$ -	\$ 1,898,634
Membership dues and fees	1,826,217	-	-	1,826,217
Program service income	2,122,222	-	-	2,122,222
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 income	9,723	-	-	9,723
Endowment funds released from restrictions	602,989	(293,969)	(309,020)	-
<b>Total Revenues</b>	<b>7,725,116</b>	<b>1,462,062</b>	<b>(88,435)</b>	<b>9,098,743</b>
<b>EXPENSES</b>				
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
<b>Total Expenses</b>	<b>9,777,533</b>	<b>265,743</b>	<b>52,277</b>	<b>10,095,553</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>(2,052,417)</b>	<b>1,196,319</b>	<b>(140,712)</b>	<b>(996,810)</b>
<b>CHANGE IN UNREALIZED NET GAINS ON MARKETABLE SECURITIES</b>	<b>-</b>	<b>(343,763)</b>	<b>(135,461)</b>	<b>(479,224)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>1,347,053</b>	<b>12,701,826</b>	<b>6,768,082</b>	<b>20,816,961</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ (705,364)</b>	<b>\$ 13,554,382</b>	<b>\$ 6,491,909</b>	<b>\$ 19,340,927</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, 2014**

	General Fund	Endowment Fund		Total
		Restricted	Unrestricted	
<b>REVENUES</b>				
Pledge income	\$ 2,012,647	\$ -	\$ -	\$ 2,012,647
Membership dues and fees	1,707,485	-	-	1,707,485
Program service income	1,855,599	-	-	1,855,599
Gifts, grants, and bequests	1,024,734	1,186,601	36	2,211,371
Interest and dividends	1,859	274,276	109,969	386,104
Community newspaper income	78,287	-	-	78,287
Gain on sale of assets	350	354,483	206,331	561,164
Miscellaneous income	80,310	1,252	-	81,562
Special events	102,032	-	-	102,032
Rental revenue	22,862	-	-	22,862
Endowment funds released from restrictions	636,130	(626,341)	(9,789)	-
<b>Total Revenues</b>	<b>7,522,295</b>	<b>1,190,271</b>	<b>306,547</b>	<b>9,019,113</b>
<b>EXPENSES</b>				
Allocations and grants	699,074	123,146	6,042	828,262
Operating expenses	6,441,739	62,003	28,293	6,532,035
Depreciation and amortization	482,322	-	-	482,322
<b>Total Expenses</b>	<b>7,623,135</b>	<b>185,149</b>	<b>34,335</b>	<b>7,842,619</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>(100,840)</b>	<b>1,005,122</b>	<b>272,212</b>	<b>1,176,494</b>
<b>CHANGE IN UNREALIZED NET GAINS ON MARKETABLE SECURITIES</b>	<b>-</b>	<b>890,555</b>	<b>453,217</b>	<b>1,343,772</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>1,447,893</b>	<b>10,806,149</b>	<b>6,042,653</b>	<b>18,296,695</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,347,053</b>	<b>\$ 12,701,826</b>	<b>\$ 6,768,082</b>	<b>\$ 20,816,961</b>

See accompanying Notes to Financial Statements.

**JEWISH COMMUNITY OF LOUISVILLE, INC.**  
**STATEMENTS OF CASH FLOWS – INCOME TAX BASIS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess (deficiency) of revenues over expenses	\$ (996,810)	\$ 1,176,494
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:		
Depreciation and amortization	550,433	482,322
Uncollectible pledge accounts	150,665	96,511
Net realized gains on sale of investments	(114,519)	(560,814)
Gain on disposal of assets	-	(350)
Contributions and grants restricted for endowment	(1,420,074)	(1,186,601)
(Increase) decrease in assets:		
Receivables	129,892	76,672
Prepaid expenses	(10,908)	(36,024)
Inventory	96	(362)
Increase (decrease) in liabilities:		
Deferred revenues	(164,593)	(16,218)
Accounts payable	(194,238)	106,474
Accrued salaries, wages and payroll taxes	30,191	22,666
Miscellaneous current liabilities	1,799,507	(25,152)
Net cash provided by (used in) operating activities	(240,358)	135,618
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(624,845)	(276,553)
Sales (purchases) of investments, net	(953,687)	(553,853)
Net cash used in investing activities	(1,578,532)	(830,406)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions and grants restricted for endowment	1,420,074	1,186,601
Borrowings (payments) on line of credit	340,000	(285,000)
Repayments of long-term debt	(100,655)	(96,673)
Net cash provided by financing activities	1,659,419	804,928
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(159,471)	110,140
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	359,185	249,045
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 199,714	\$ 359,185
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid during the period for:		
Interest	\$ 95,120	\$ 94,949
<u>Schedule of Noncash Investing and Financing Activities:</u>		
Change in investments held for other organizations	\$ 761,576	\$ 474,800
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, 2015 and 2014 the newspaper did not have taxable income.

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

**Loan Commitment Fee**

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

**Subsequent Events**

JCL has evaluated subsequent events through October 21, 2015, 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, 2015 and 2014 consisted of the following:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common stock	\$ 9,935,304	\$12,481,495	\$ 9,060,613	\$ 12,054,543
Government notes and bonds	301,718	299,153	376,728	358,791
Money market funds	1,793,752	1,793,752	1,310,356	1,310,356
Mutual funds	905,894	899,831	2,555,861	2,674,672
Equities – ETF	254,311	305,906	254,311	310,622
Fixed income – ETF	2,607,130	2,563,825	502,375	497,627
Corporate bonds	2,142,457	2,063,946	1,604,925	1,701,477
Certificates of deposit	52,000	52,000	-	-
GNMA	16,960	15,680	-	-
Commodity linked funds	709,002	716,915	1,125,162	987,480
Real estate	<u>602,298</u>	<u>592,191</u>	<u>543,998</u>	<u>547,967</u>
	<u>\$19,320,826</u>	<u>\$21,784,694</u>	<u>\$17,334,329</u>	<u>\$20,443,535</u>

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

Interest in partnerships and other investments consists of the following:

	<u>2015</u>	<u>2014</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>461,591</u>	<u>417,537</u>
	<u>\$ 537,091</u>	<u>\$ 493,037</u>

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

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

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

JCL maintains investment accounts for certain restricted endowment designated funds (80 designated funds) and funds held for other organizations (5 organizations) for which they receive a management fee. Fees were calculated to be approximately \$15,000 each year for 2015 and 2014.

**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, 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	\$ -	\$6,206,180	\$7,348,202	\$13,554,382
Board-designated endowment funds	6,491,909	-	-	6,491,909
Total funds	<u>\$6,491,909</u>	<u>\$6,206,180</u>	<u>\$7,348,202</u>	<u>\$20,046,291</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, 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	-	( 473,857)	473,857	-
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>\$ 6,206,180</u>	<u>\$ 7,348,202</u>	<u>\$ 20,046,291</u>

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

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

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

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

**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 2015 and 2014 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 17, 2015. The interest is payable monthly at the prime rate with a floor of 3.25%. JCL had borrowings on the line of credit totaling \$340,000 at June 30, 2015. There were no borrowings on the line of credit as of June 30, 2014. On October 12, 2015, the line was renewed at the same terms through October 12, 2016.

**G. LONG-TERM DEBT**

At June 30, 2015, long-term debt consisted of the following:

	<u>2015</u>	<u>2014</u>
Mortgage payable – monthly payments of \$11,321 through September 6, 2015, including interest of 3.99%. See subsequent event note below.	\$ 1,875,355	\$ 1,934,042
Note payable – bank, monthly payments of \$3,697 through April 2016, including interest of 3.99%.	36,300	78,268
Capital lease for the acquisition of fitness equipment – monthly payments of \$4,332 through November 2017, including interest imputed at 3.89%.	<u>119,677</u>	<u>-</u>
	2,031,332	2,012,310
Less: current portion	( <u>129,712</u> )	( <u>100,659</u> )
	<u>\$ 1,901,620</u>	<u>\$ 1,911,651</u>



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

**G. LONG-TERM DEBT (CONTINUED)**

**Subsequent Event** - 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
2016	\$ 95,121	\$ 51,984	\$ 3,801	\$ 48,183	\$143,304
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

Exercise equipment held through a capital lease agreement at December 31, 2015 was as follows:

Cost included in furniture and equipment	\$ 146,979
Less accumulated depreciation	<u>(17,148)</u>
Net book value	<u>\$ 129,831</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, 2015 and 2014. The equivalent amounts for June 30, 2015 and 2014 are not available.

	<u>2015</u>	<u>2014</u>
Accrued plan assets available to provide benefits at January 1,	\$ 6,011,649	\$ 5,750,767
Actuarial present value of accumulated plan benefits at January 1,	<u>6,852,870</u>	<u>5,622,351</u>
Excess (deficiency) of accrued plan assets available to provide benefits over actuarial present value of accumulated plan benefits	<u>(\$ 841,221)</u>	<u>\$ 128,416</u>

JCL's contributions to the plan totaled \$115,200 and \$120,000 for the years ended June 30, 2015 and 2014, respectively.

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

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

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

**H. EMPLOYEE BENEFIT PLANS (CONTINUED)**

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.

**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.

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 \$94,360 and \$116,026 to the plan for the years ended June 30, 2015 and 2014, 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, 2015 and 2014, totaled \$21,824 and \$83,700, respectively. Future obligations over the primary terms of the long-term leases as of June 30, 2015 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 17,300
2017	15,284
2018	4,457
Thereafter	<u>-</u>
Total	<u>\$ 37,041</u>

**J. CONCENTRATION OF CREDIT RISK**

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

**K. FUND-RAISING**

Fund-raising consists of an annual campaign. Total costs associated with the annual campaign were \$281,616 and \$279,751 for the years ended June 30, 2015 and 2014, respectively.

**L. RECLASSIFICATION**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year 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, 2015 and 2014, and have issued our report thereon dated October 21, 2015, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The following schedules are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Welenken CPAs

Louisville, Kentucky  
October 21, 2015

**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.**  
**SCHEDULE OF OPERATING EXPENSES - GENERAL FUND - INCOME TAX BASIS**  
**YEAR ENDED JUNE 30, 2014**

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

**JEWISH COMMUNITY OF LOUISVILLE, INC.**  
**SCHEDULES OF OPERATING EXPENSES - ENDOWMENT FUND - INCOME TAX BASIS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	2015			2014		
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Miscellaneous	\$ 191	\$ 35	\$ 226	\$ -	\$ -	\$ -
Trust management fee	<u>73,894</u>	<u>27,241</u>	<u>101,135</u>	<u>62,003</u>	<u>28,293</u>	<u>90,296</u>
	<u>\$ 74,085</u>	<u>\$ 27,276</u>	<u>\$ 101,361</u>	<u>\$ 62,003</u>	<u>\$ 28,293</u>	<u>\$ 90,296</u>