

The Jewish Federation of Greater Orlando, Inc.

Financial Statements
Years Ended August 31, 2011 and 2010

The Jewish Federation of Greater Orlando, Inc.

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Independent Auditors' Report

Board of Directors
The Jewish Federation of Greater Orlando, Inc.
Maitland, Florida

We have audited the accompanying statements of financial position of The Jewish Federation of Greater Orlando, Inc. (the "Federation") as of August 31, 2011 and 2010 and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Federation'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Federation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Jewish Federation of Greater Orlando, Inc. at August 31, 2011 and 2010 and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cross, Fernandez & Riley, LLP

Certified Public Accountants

December 14, 2011

The Jewish Federation of Greater Orlando, Inc.

Statements of Financial Position

<i>August 31,</i>	2011	2010
Assets:		
Cash and cash equivalents	\$ 184,365	\$ 112,529
Accounts receivable, primarily from local agencies	82,795	152,880
Contributions receivable, net (Notes 4, 7 and 8)	1,087,812	1,141,913
Other assets	54,308	12,063
Assets held by T.O.P. Foundation (Note 5)	989,255	961,391
Interest in net assets of T.O.P. Foundation (Note 5)	655,456	615,508
Bond issue costs, net of accumulated amortization of \$99,276 and \$84,983	216,488	230,781
Property and equipment (Notes 6 and 8)	16,227,499	16,842,159
	\$ 19,497,978	\$ 20,069,224
Liabilities:		
Accounts payable and accrued expenses	\$ 81,649	\$ 88,325
Grants and allocations payable to affiliates (Note 9)	245,273	268,779
Long-term payable (Note 7)	367,700	367,700
Interest rate swap liability (Note 8)	856,752	902,133
Bonds payable (Note 8)	5,110,000	5,390,000
	6,661,374	7,016,937
Net assets:		
Unrestricted	2,267,464	2,220,865
Unrestricted – designated for property and equipment	10,477,235	10,780,807
Temporarily restricted (Note 10)	91,905	50,615
	12,836,604	13,052,287
	\$ 19,497,978	\$ 20,069,224

See accompanying notes to financial statements.

The Jewish Federation of Greater Orlando, Inc.

Statements of Activities

<i>Year ended August 31,</i>	2011			2010		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Revenues and other support:						
Contributions	\$ 702,564	\$ 76,290	\$ 778,854	\$ 812,451	\$ 50,615	\$ 863,066
Contribution – forgiveness of debt (Note 7)	–	–	–	1,358,713	–	1,358,713
Grant revenue	–	–	–	96,602	–	96,602
Tuition income	45,475	–	45,475	44,722	–	44,722
Program fees and sponsorships	218,275	–	218,275	145,386	–	145,386
Rental income - local agencies	695,605	–	695,605	711,891	–	711,891
Investment income (Note 3)	166,698	–	166,698	155,856	–	155,856
Miscellaneous income	82,988	–	82,988	4,812	–	4,812
Net assets released from restrictions (Note 10)	35,000	(35,000)	–	45,118	(45,118)	–
Total revenue and other support	1,946,605	41,290	1,987,895	3,375,551	5,497	3,381,048
Expenses:						
Grants and allocations to affiliated organizations	169,361	–	169,361	259,914	–	259,914
Program services	264,586	–	264,586	387,144	–	387,144
Management and general	381,714	–	381,714	544,895	–	544,895
Facility	1,163,665	–	1,163,665	1,197,724	–	1,197,724
Fundraising	326,141	–	326,141	299,256	–	299,256
Total expenses	2,305,467	–	2,305,467	2,688,933	–	2,688,933
Increase in interest in net assets of T.O.P. Foundation (Note 5)	56,508	–	56,508	28,647	–	28,647
Increase (Decrease) in value of interest rate swap (Note 8)	45,381	–	45,381	(265,529)	–	(265,529)
Change in net assets	(256,973)	41,290	(215,683)	449,736	5,497	455,233
Net assets, beginning of year	13,001,672	50,615	13,052,287	12,551,936	45,118	12,597,054
Net assets, end of year	\$12,744,699	\$91,905	\$12,836,604	\$13,001,672	\$ 50,615	\$13,052,287

See accompanying notes to financial statements.

The Jewish Federation of Greater Orlando, Inc.

Statements of Cash Flows

<i>Year ended August 31,</i>	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ (215,683)	\$ 455,233
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Contribution – forgiveness of debt	–	(1,358,713)
Depreciation	634,648	633,718
Amortization of bond issue costs	14,293	14,516
Amortization of pledge discount	(12,947)	39,178
Provision for doubtful accounts	(39,264)	126,944
Donated assets held for sale	(32,840)	–
Loss on disposal of fixed assets	–	360
(Increase) decrease in value of interest rate swap	(45,381)	265,529
Investment income from assets held by T.O.P. Foundation	(165,475)	(154,937)
Increase in interest in net assets held by T.O.P. Foundation	(56,508)	(28,647)
Cash provided by (used for):		
Accounts receivable, local agencies	70,085	21,680
Contributions receivable	106,312	429,012
Other assets	(9,405)	1,927
Distributions from interest in net assets of T.O.P. Foundation	16,560	16,097
Accounts payable and accrued expenses	(6,676)	(426,645)
Grants and allocations payable to affiliates	(23,506)	(592,947)
Net cash provided by (used for) operating activities	234,213	(557,695)
Cash flows from investing activities:		
Purchase of property and equipment	(19,988)	(83,375)
Net distributions from assets held by T.O.P. Foundation	137,611	565,013
Net cash provided by investing activities	117,623	481,638
Cash flows from financing activities:		
Payments on bonds payable	(280,000)	(270,000)
Net repayments on line of credit	–	(133,317)
Proceeds from long-term payable	–	351,413
Line of credit fees	–	(3,000)
Net cash used for financing activities	(280,000)	(54,904)
Net increase (decrease) in cash and cash equivalents	71,836	(130,961)
Cash and cash equivalents, beginning of year	112,529	243,490
Cash and cash equivalents, end of year	\$ 184,365	\$ 112,529
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 198,174	\$ 209,722

See accompanying notes to financial statements.

The Jewish Federation of Greater Orlando, Inc.

Statements of Functional Expenses

Year ended August 31,	2011					2010				
	Supporting Services					Supporting Services				
	Program Services	Management and General	Facility	Fundraising	Total	Program Services	Management and General	Facility	Fundraising	Total
Salaries	\$128,013	\$51,996	\$4,853	\$169,096	\$353,958	\$264,422	\$ 52,549	\$ 26,044	\$138,954	\$ 481,969
Employee benefits	8,851	5,559	–	13,722	28,132	8,672	4,148	3,618	7,783	24,221
Payroll taxes	11,061	4,406	371	13,983	29,821	22,263	4,319	2,319	11,418	40,319
Total salaries and benefits	147,925	61,961	5,224	196,801	411,911	295,357	61,016	31,981	158,155	546,509
Professional fees	13,026	143,535	114,449	8,068	279,078	45,242	128,093	93,318	38,399	305,052
Programs and events	82,923	603	–	72,135	155,661	37,673	–	–	62,575	100,248
Conferences	3,856	3,180	–	565	7,601	–	5,824	–	–	5,824
Advertising and marketing	4,821	–	–	22,288	27,109	382	–	–	13,554	13,936
Awards	2,000	17,809	–	332	20,141	1,500	–	–	3,430	4,930
Occupancy costs	1,044	12,911	6,888	–	20,843	–	33,029	8,805	–	41,834
Facility administration	–	–	178,534	–	178,534	–	1,191	201,210	–	202,401
Bad debts	–	(40,314)	–	–	(40,314)	–	126,944	–	–	126,944
Bank and T.O.P. management fees	1,125	122,410	–	848	124,383	–	115,272	–	–	115,272
Insurance	–	16,389	9,163	–	25,552	–	12,237	10,800	–	23,037
Interest	–	4,954	193,220	–	198,174	–	7,459	202,263	–	209,722
Miscellaneous	6,179	4,592	2,641	530	13,942	–	10,482	–	–	10,482
Office machines (purchase, rentals and maintenance) and other maintenance	949	4,349	4,297	–	9,595	–	4,107	8,051	–	12,158
Office supplies	352	3,757	92	41	4,242	696	6,508	–	4,220	11,424
Postage	111	4,364	–	15,130	19,605	407	9,100	–	7,506	17,013
Printing	275	695	–	9,403	10,373	3,527	–	–	11,008	14,535
Recruiting	–	–	–	–	–	428	2,002	–	215	2,645
Telephone and internet	–	4,295	16,440	–	20,735	1,932	5,590	9,103	194	16,819
Total expenses before depreciation and amortization	264,586	365,490	530,948	326,141	1,487,165	387,144	528,854	565,531	299,256	1,780,785
Depreciation and amortization	–	16,224	632,717	–	648,941	–	16,041	632,193	–	648,234
	\$264,586	\$381,714	\$1,163,665	\$326,141	\$2,136,106	\$387,144	\$544,895	\$1,197,724	\$299,256	\$2,429,019

See accompanying notes to financial statements.

The Jewish Federation of Greater Orlando, Inc.

Notes to Financial Statements

1. Nature of Activities

The Jewish Federation of Greater Orlando, Inc. (the “Federation”) is a not-for-profit organization formed to provide social, financial, and human resource services to the Central Florida Jewish community. The Federation’s primary mission is to foster and enhance the Jewish Community’s relationship with the State of Israel while promoting both the welfare and education of Jews in Central Florida.

2. Summary of Significant Accounting Policies

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to their nearness of their maturity and resulting use of cash.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents includes all highly liquid debt instruments purchased with a maturity of three months or less.

Financial Instruments

The Federation reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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Notes to Financial Statements

The three levels of the fair value hierarchy are described below:

- Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuation based on observable quoted prices for similar assets and liabilities in active markets.
- Level 3 – Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management’s best estimate of what market participants would use as fair value.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, contributions receivable due in one year or less, accounts payable and accrued expenses and grants and allocations payable to affiliates. The fair value of notes and bonds payable is estimated based on the current rates that would be available for debt of similar terms which is not significantly different from its stated value.

The Federation’s Level 1 financial assets consist of cash equivalents of \$58,829 and \$118,168 at August 31, 2011 and 2010, respectively.

The Federation’s Level 2 financial assets include contributions receivable due in more than one year, as shown in Note 4, which are recorded at their net present value using U.S. Treasury rates in effect at the date the contribution was made. Also included are assets held by T.O.P. Foundation of \$989,255 and \$961,391 at August 31, 2011 and 2010 respectively, and an interest in net assets of T.O.P. Foundation of \$655,456 and \$615,508 at August 31, 2011 and 2010, respectively. These assets consist of pooled investments in money market, bonds and equity securities maintained and invested by T.O.P. Foundation.

The Jewish Federation of Greater Orlando, Inc.

Notes to Financial Statements

The Federation's Level 2 financial liabilities include an interest rate swap of \$856,752 and \$902,133 at August 31, 2011 and 2010, respectively that is valued annually by reviewing comparable rates in the current market and using the implicit yield curve to determine the future cash flows over the life of the interest rate swap agreement. Those cash flows are then net present valued to generate a current market value.

Property and Equipment

Property and equipment are stated at cost except for donated property which is stated at the estimated fair market value at the date of the gift. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

Impairment of Long-Lived Assets

The Federation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceed the fair value of the assets.

Interest Rate Swap

The Federation enters into interest rate swap agreements to reduce its exposure to interest rate changes related to its debt. The differentials paid or received on interest rate swaps are recognized as an adjustment to the interest expense related to the debt. The related amount payable to or receivable from counterparties is included in other assets or liabilities. The interest rate swaps are measured at fair value as either assets or liabilities in the statements of financial position. Changes in the fair values of the interest rate swaps are recorded in the accompanying statements of activities.

Credit risks related to interest rate swaps are considered minimal and are managed by requiring periodic settlements and high credit standards for counterparties.

Bond Issue Costs

Bond issue costs are amortized using the straight-line method over the term of the bonds.

The Jewish Federation of Greater Orlando, Inc.

Notes to Financial Statements

Contributions and Donor-Imposed Restrictions

Unconditional promises to give are recognized as contributions in the period received at their fair value. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date received. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue.

Revenues and support are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statements of Activities as net assets released from restriction. If a temporary restriction is fulfilled in the same time period in which the contribution is received, the Federation reports the support as unrestricted.

Revenue Recognition

Program fees and sponsorships are recognized as revenue when the related program or event takes place.

Rental Income

The Federation acts as a landlord and rents space in its buildings on the Maitland and South Orlando campuses to other Jewish non-profit organizations. Rent is charged based on square footage occupied, and rates are determined annually by the Facilities Management Committee, which is comprised of representatives of all tenants. The Federation bills rent based on square footage used and other overhead charges directly to the other organizations and records revenue for which \$417,194 and \$433,480 has been recorded as rental revenue for the years ended August 31, 2011 and 2010, respectively.

The Federation also charges these organizations for their share of debt services costs, which are used to repay the bonds payable. Rental revenue of \$278,411 has been recognized for each of the years ended August 31, 2011 and 2010 in connection with the debt service charges.

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Notes to Financial Statements

Future debt service costs due to the Federation are as follows:

<i>Years ended August 31,</i>	
2012	\$ 278,411
2013	278,411
2014	278,411
2015	278,411
2016	278,411
Thereafter	3,178,526
	<u>\$ 4,570,581</u>

Advertising

Advertising costs are expensed the first time advertising takes place and were \$27,109 and \$13,936 for the years ended August 31, 2011 and 2010, respectively.

Functional Expenses

Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. All other expenses are allocated based on their relative functional activity.

Income Taxes

The Federation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Income Tax Code.

The Federation identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Federation has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Federation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Federation's open tax years currently subject to examination by the Internal Revenue Service include the years ended August 31, 2008 through 2011.

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Notes to Financial Statements

Reclassifications

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

3. Investment Income

Investment income consists of the following

<i>Year ended August 31,</i>	2011	2010
Investment income from assets held by T.O.P. Foundation:		
Management fee income	\$ 102,950	\$ 96,096
Interest income	9,774	15,628
Unrealized gains	52,751	43,213
Investment income from assets held by T.O.P. Foundation	165,475	154,937
Other interest income	1,223	919
Total investment income	\$ 166,698	\$ 155,856

4. Contributions Receivable

Contributions receivable are unconditional promises to give and are recorded when the promises to contribute are made. Contributions receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Federation provides an allowance for uncollectible contributions at the time revenues are recorded and re-evaluates and adjusts the allowance periodically based on historical collection experience. Contributions receivable are due as follows:

<i>August 31,</i>	2011	2010
Less than one year	\$ 698,221	\$ 736,057
One to five years	286,381	382,057
Due beyond five years	377,200	350,000
	1,361,802	1,468,114
Less: allowance for doubtful accounts	(111,149)	(150,413)
Less: present value discount at 4% – 30%	(162,841)	(175,788)
	\$ 1,087,812	\$ 1,141,913

The Jewish Federation of Greater Orlando, Inc.

Notes to Financial Statements

5. T.O.P. Jewish Foundation, Inc.

T.O.P. Jewish Foundation Inc, (T.O.P.) is a financially interrelated organization established by the Jewish Federations of Tampa, Orlando and Pinellas to enhance fund-raising for the three federations. T.O.P. receives gifts, bequests and contributions for the purpose of using, distributing and investing the principal and/or income for charitable, educational and religious purposes within the Jewish community. Each of the three federations is represented on the Board of T.O.P. and appoints trustees to serve on the grant committee.

The three federations share in certain expenses of T.O.P. The Federation recorded \$68,597 and \$60,150 of management fee expense for their share during the years ended August 31, 2011 and 2010, respectively, and is included in bank and T.O.P. management fees in the accompanying statements of functional expenses.

The Federation accounts for assets transferred to T.O.P. and its interest in the net assets of T.O.P. in accordance with FASB ASC 958-605 "Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others" as follows:

Assets Held by T.O.P. Foundation

The Federation has transferred assets to T.O.P. for which the principal and investment returns are to be used for various operating needs. These are considered managed funds and are recorded as Assets Held by T.O.P. Foundation on the accompanying statements of financial position. The Federation earns management fees and investment income on these managed funds which are recorded as investment income (see Note 3). Distributions from these managed funds of \$137,611 and \$565,013 for the years ended August 31, 2011 and 2010, respectively, reduced the value of "Assets Held by T.O.P. Foundation."

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Notes to Financial Statements

Assets held by T.O.P. Foundation are to be used for the following purposes as established by the Board of Directors:

<i>August 31,</i>	2011	2010
Operating Reserves	\$ 66,505	\$ 66,366
Facilities Maintenance	214,732	229,779
Programs	152,619	142,884
Unrestricted Operating	555,399	522,362
	\$ 989,255	\$ 961,391

Interest in Net Assets of T.O.P. Foundation

The Federation's interest in the net assets of T.O.P. Foundation includes assets received by T.O.P. for which the Federation is specified as the beneficiary and are accounted for under the equity method. These assets include designated or endowment funds from which the Federation receives distributions as specified by the donor. Distributions of \$16,550 were received during the year ended August 31, 2011 and reduced the "Interest in Net Assets of T.O.P. Foundation." The change in value of these assets was \$56,508 and \$28,647 for the years ended August 31, 2011 and 2010, respectively, and is recorded as "change in interest in net assets of T.O.P. Foundation" on the accompanying statements of activities.

Philanthropic Funds of T.O.P. Foundation

The Federation is also specified as the beneficiary in certain philanthropic funds received by T.O.P. However, T.O.P. has variance power over these funds which give them the ability to distribute these funds to beneficiaries other than the Federation. Therefore, the Federation does not record the beneficial interest in these funds in its financial statements until they are distributed to the Federation, at which time they are recorded as contributions.

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6. Property and Equipment

Property and equipment are comprised of the following:

<i>August 31,</i>	<i>Useful Life</i>	2011	2010
Land and improvements	15-30 yrs.	\$ 2,825,276	\$ 2,825,276
Buildings and improvements	5-40 yrs.	19,627,668	19,629,682
Furniture and equipment	3-15 yrs.	990,746	968,745
Construction in process	–	23,129	23,129
		23,466,819	23,446,832
Less accumulated depreciation		(7,239,320)	(6,604,673)
		\$16,227,499	\$16,842,159

7. Long-Term Payable

The Federation has a long-term payable due to a local Foundation. There are no set repayment terms and the note is non-interest bearing. During the year ended August 31, 2010, the Foundation agreed to forgive \$1,358,713 of the principal balance, which was recorded as “contribution – forgiveness of debt” in the statements of activities. The outstanding balance at August 31, 2011 and 2010 was \$367,700, and will be paid upon receipt of contributions receivable due for the South Orlando Capital Campaign.

8. Bonds Payable

The Federation has entered into agreements with the Orange County Industrial Development Authority and banks for the issuance of tax-exempt and taxable bonds of \$5,340,000 and \$3,900,000, respectively, to finance the expansion and construction of certain buildings. The bonds are backed by irrevocable, direct pay, letter of credits issued by the bank on behalf of the Federation for the benefit of the bondholders which expire on January 28, 2013. The bonds are collateralized by certain real property and campaign pledges and call for annual sinking fund deposits and redemptions maturing in 2028. Interest on the bonds is payable monthly and is established at market value by the bond’s remarketing agent. At August 31, 2011, interest was 0.21% and 0.40% for the tax-exempt and taxable bonds, respectively. At August 31, 2010, interest was 0.45% and 0.60% for the tax-exempt and taxable bonds, respectively. The agreements set the bond’s maximum

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interest rate at the lower of 12% or the maximum amount allowed by law. Terms of the bond agreements and letters of credit require the Federation to meet certain financial covenants which were met during the year ended August 31, 2011 and limit investments and the creation of additional liabilities, as defined in the agreement. Bonds payable at August 31, 2011 included \$4,240,000 of tax-exempt bonds and \$870,000 of taxable bonds. Bonds payable at August 31, 2010 included \$4,405,000 of tax-exempt bonds and \$985,000 of taxable bonds.

Principal payments on bonds payable of the Federation over future years are as follows:

<i>Years ended August 31,</i>	
2012	\$ 290,000
2013	305,000
2014	315,000
2015	330,000
2016	350,000
Thereafter	3,520,000
	\$ 5,110,000

Interest Rate Swap

The Federation entered into an interest rate swap agreement with the Bank on August 11, 2006 to modify the interest characteristics of its tax-exempt bonds from a floating rate to a fixed basis, thus reducing the effects of fluctuating interest rates on the Federation's operations. This agreement involves the receipt of a floating rate amount in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and recognized as an adjustment to interest expense.

The Federation pays the Bank, on a monthly basis, interest at a fixed rate of 4.09% on a decreasing notational amount (\$4,240,000 and \$4,405,000 at August 31, 2011 and 2010, respectively) in exchange for the Bank paying the Federation a tax-exempt rate based on the LIBOR Index. The agreement expires on January 1, 2028. Based upon the terms of the swap agreement and the anticipated balances of the related debt during the remaining term of the swap agreement, management has determined that the swap agreement qualifies as a highly effective hedge under current accounting standards. The fair value of the interest rate swap was in an unfavorable position of \$856,752 and \$902,133 at August 31, 2011 and 2010, respectively, and is recorded as a liability in the

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Notes to Financial Statements

accompanying statements of financial position. The increase (decrease) in value of the interest rate swap of \$45,381 and \$(265,529) during the years ended August 31, 2011 and 2010, respectively, was recorded as a non-operating activity in the accompanying statements of activities.

In the event the Bank defaults on the provisions of the interest rate swap agreement, the maximum loss to be recorded by the Federation would be limited to the interest rate differential between the fixed rate and the floating rate if the floating rate is in excess of the fixed rate. In the event the agreements are terminated, the Federation may be required to pay a termination fee to the Bank based on the difference between the floating rate and the fixed rate.

9. Grants and allocations Payable to Affiliates

Grants and allocations are payable as follows:

<i>August 31,</i>	2011	2010
United Jewish Appeal	\$ 229,969	\$ 253,475
Other agencies	15,304	15,304
	\$ 245,273	\$ 268,779

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

<i>August 31,</i>	2011	2010
Community Rabbi Program	\$ –	\$ 20,000
Beit Hamadrash Travel Program	16,919	15,615
Annual Campaign	74,986	15,000
	\$ 91,905	\$ 50,615

Net assets were released from restrictions of \$35,000 during the year ended August 31, 2011 for program expenses and \$45,118 during the year ended August 31, 2010 for capital expenditures.

The Jewish Federation of Greater Orlando, Inc.

Notes to Financial Statements

11. Subsequent Events

The Federation has evaluated events and transactions occurring subsequent to August 31, 2011 as of December 14, 2011, which is the date the financial statements were available to be issued. Subsequent events occurring after December 14, 2011 have not been evaluated by management. No material events have occurred since August 31, 2011 that require recognition or disclosure in the financial statements.