



Jewish Federation  
OF GREATER ORLANDO

*The Jewish Federation  
of Greater Orlando, Inc.*



# Audit Wrap Up

*August 31, 2011*

This presentation was prepared as part of our audit, has consequential limitations, is restricted to those charged with governance and, if appropriate, management, and is not intended and should not be used by anyone other than those specified parties.

**CFR**  
CROSS, FERNANDEZ & RILEY, LLP  
Accountants & Consultants

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January 18, 2012

Finance Committee  
The Jewish Federation of Greater Orlando, Inc.  
851 N. Maitland Avenue  
Maitland, FL 32751

Dear Committee Members:

Professional standards require us to communicate with you regarding matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. The following documents various matters with respect to the wrap-up phase of the audit of the annual financial statements of The Jewish Federation of Greater Orlando, Inc. (the Federation) as of and for the year ended August 31, 2011.

Should you desire further information concerning these matters, we will be happy to meet with you at your convenience.

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance and, if appropriate, management of the Federation and is not intended and should not be used by anyone other than those specified parties.

Very truly yours,



Cross, Fernandez & Riley, LLP

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# Discussion Outline

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# Status of Our Audit

## ***Audit of Financial Statements***

- We have substantially completed our audit of the financial statements of The Jewish Federation of Greater Orlando, Inc. (the “Federation”) for the year ended August 31, 2011. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
- We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with generally accepted accounting principles. We expect to issue an unqualified opinion on the financial statements.
- The objective of our audit was to obtain reasonable – not absolute – assurance about whether the financial statements are free from material misstatements. The scope of the work performed was substantially the same as that described in our earlier Audit Planning Report to you.
- All records and information requested by Cross, Fernandez & Riley, LLP were freely available for our inspection.
- Management and other personnel provided full cooperation.

## ***Internal Control Over Financial Reporting***

- In planning and performing our audit of the financial statements of the Federation for the year ended August 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Federation’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Federation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Federation’s internal control.
- Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

## ***Fraud Considerations***

- We are responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud (SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*).
- Our audit procedures encompassed the requirements of SAS 99: brainstorming, gathering information to facilitate the identification of and response to fraud risks and performing mandatory procedures to address the risk of management override (including examining journal entries, reviewing accounting estimates and evaluating the business rationale of significant unusual transactions).
- We evaluated the risk of management override using the fraud triangle (pressure/incentive, opportunity and attitude/rationalization) and considered the actions management has taken to respond to those risks.

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# Results of Our Audit

We have reviewed the accounting practices, which include policies, estimates and financial statement disclosures, management has identified to be the most critical and concur with management's assessment. These include:

## **Primary Areas of Focus and Considerations and Findings**

### **Revenue Recognition Donor-Imposed Restrictions**

- We tested contributions to ensure they were properly recorded and included in the proper net asset classification.
- Temporarily restricted revenue was tested to ensure amounts related to future events and programs and amounts released from restriction were proper.
- We performed analytical procedures comparing revenues to prior year and budget and obtained explanations from management for unusual variances.
- We are satisfied with the results of our testing and the related reporting and disclosures of these accounts.

### **Contributions Receivable, Allowance and Discount**

- We obtained a roll-forward of all pledges from both the capital and annual campaigns and tested both new pledges and pledges currently outstanding at August 31, 2011. This included confirmation of selected pledges receivable, review of pledge forms and vouching of current year and subsequent collections.
- We reviewed the Federation's estimate for allowance on uncollectible pledges and determined that it was reasonable based on current payments on multi-year gifts and current year write-offs.
- We tested the discount recorded for the multi-year capital campaign pledges and determined that it was properly calculated based on classification of multi-year pledge balances.
- We are satisfied with the results of our testing and the related reporting and disclosure of these accounts.

### **Assets Held at T.O.P. Foundation and Interest in Net Assets of T.O.P. Foundation**

- We reviewed the accounting for the assets held at TOP Foundation and the interest in net assets of TOP Foundation, and determined the activity was properly recorded and presented in the financial statements. We reviewed all new fund agreements for proper classification.
- We confirmed with TOP the activity and year-end balances for all managed funds (Assets held by TOP) and designated funds (Interest in Net Assets of TOP).
- Based on the procedures performed, we believe the balances of funds held by T.O.P. for the ultimate benefit of the Federation are fairly stated in all material respects and the disclosures are adequately reported.

### **Property and Equipment**

- We vouched significant additions to property and equipment during the year to determine that they were properly recorded as capital expenditures.
- We recalculated depreciation expense for reasonableness.
- We are satisfied with the results of our testing and related reporting and disclosure of these accounts.

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# Results of Our Audit

## **Bonds and Long-Term Payable**

- We confirmed Bonds and long-term payable at August 31, 2011 as well as interest paid for the year with outside sources.
- We have tested the Federation's compliance with the restrictive financial covenants related to the bonds and letter of credit and determined that the Federation was in compliance.
- We are satisfied with the results of our testing and related reporting and disclosure of these accounts.

## **Functional Expense Allocation**

- We tested the allocations of functional expenses and noted allocations appeared proper and allocation methodology was reasonable.
- We tested expense reports of key management and determined all expenses were properly approved in accordance with the Organization's policy and appeared to be business related.

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# Required Communications

## Internal Controls Over Financial Reporting

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Federation's internal controls over financial reporting. The definitions of material weakness, significant deficiencies and deficiencies in internal control follow:

Category	Definition
Material Weakness	A deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented, or detected and corrected on a timely basis.
Significant Deficiency	A deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

In conjunction with our audit of the financial statements, we noted the following:

- The following significant deficiency was identified:

Significant Deficiency	Comments
Valuation and existence of pledge receivables	During our audit work on pledges receivable, we noted that two confirmations were returned whereby the donor specified they did not owe the balance recorded. Upon further investigation, it was determined that these pledges were improperly recorded and should be removed from the general ledger balance of pledges receivable. We recommend that management perform a detailed analysis of outstanding pledges to determine both the validity (existence) and collectability, at least annually. We also noted management is discounting the multi-year pledges using the same discount rate of 4% for all pledge years. The discount rates used should reflect the rate in effect for the year the pledge was initially recorded. We recommend that management determine the adjustment for the multi-year pledges that

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## Required Communications

<b>Significant Deficiency</b>	<b>Comments</b>
	<p>need to be discounted prior to the commencement of audit fieldwork and adjust the general ledger balance accordingly. Additionally, for any new multi-year pledges received in future years, the appropriate discount rate should be applied.</p> <p>We also recorded an audit adjustment to remove unapplied payments from pledges receivable and recognize those payments as temporarily restricted contributions. We recommend that management record any pledges received that are for future years as temporarily restricted revenue and release those pledges from restriction as their purpose is met.</p>

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## Required Communications

### Matters Required To Be Reported to Those Charged with Governance

Various professional guidance requires independent auditors to communicate with those charged with governance certain matters in relation to an audit. Following is a summary of those required items along with specific discussion points as they pertain to the Federation:

<b><i>Requirement</i></b>	<b><i>Discussion Points</i></b>
<b>Auditor's judgment about the quality of the company's accounting policies and financial statement disclosures</b>	Accounting policies selected by management are consistent with those described by accounting and industry standards. In addition, management has consistently applied its accounting policies and the Federation's financial statements and related disclosures are clearly presented in a complete manner.
<b>Critical accounting policies and practices</b>	Critical accounting policies and practices used by the Federation are noted on Page 2 under Primary Areas of Focus and Note 2 to the financial statements.
<b>Sensitive accounting estimates</b>	<p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's current judgments.</p> <p>Significant estimates and assumptions made by management in preparing the financial statements relate to the allowance for uncollectible pledges, discount on multi-year pledges, fair value of interest rate swap and allocation of functional expenses.</p>
<b>Adoption of or a change in accounting principle</b>	There were no situations involving the adoption of or a change in accounting principles where the application of alternative generally accepted accounting principles, including alternative methods of applying an accounting principle, would have a material effect on the Federation's financial statements.

## Required Communications

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<b>Significant Audit Adjustments</b>	<p>Management recorded the following adjustments arising from the audit that in our judgment were significant to the financial statements:</p> <table border="1"> <thead> <tr> <th><b>JE#</b></th> <th><b>Account</b></th> <th><b>Debit</b></th> <th><b>Credit</b></th> </tr> </thead> <tbody> <tr> <td><b>1.</b></td> <td>Note payable-Rosen</td> <td>\$83,998</td> <td></td> </tr> <tr> <td></td> <td>Other long-term debt</td> <td></td> <td>\$83,998</td> </tr> <tr> <td></td> <td><i>To reclass portion of Rosen payable to long term per confirmation.</i></td> <td></td> <td></td> </tr> <tr> <td><b>2.</b></td> <td>Unapplied payments</td> <td>\$74,770</td> <td></td> </tr> <tr> <td></td> <td>Temp. restricted revenues</td> <td></td> <td>\$74,770</td> </tr> <tr> <td></td> <td><i>To remove FY11 payments from unapplied A/R and record as temporarily restricted revenue</i></td> <td></td> <td></td> </tr> <tr> <td><b>3.</b></td> <td>Depreciation expense</td> <td>\$17,309</td> <td></td> </tr> <tr> <td></td> <td>Allowance for depreciation</td> <td></td> <td>\$17,309</td> </tr> <tr> <td></td> <td><i>To adjust depreciation expense and accumulated depreciation for refund on building</i></td> <td></td> <td></td> </tr> </tbody> </table>	<b>JE#</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>	<b>1.</b>	Note payable-Rosen	\$83,998			Other long-term debt		\$83,998		<i>To reclass portion of Rosen payable to long term per confirmation.</i>			<b>2.</b>	Unapplied payments	\$74,770			Temp. restricted revenues		\$74,770		<i>To remove FY11 payments from unapplied A/R and record as temporarily restricted revenue</i>			<b>3.</b>	Depreciation expense	\$17,309			Allowance for depreciation		\$17,309		<i>To adjust depreciation expense and accumulated depreciation for refund on building</i>		
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<b>Unrecorded audit differences considered by management to be immaterial to the financial statements</b>	<p>The following misstatement was not recorded by the Federation as it was deemed immaterial to the Financial Statements as a whole:</p> <table border="1"> <thead> <tr> <th><b>JE#</b></th> <th><b>Account</b></th> <th><b>Debit</b></th> <th><b>Credit</b></th> </tr> </thead> <tbody> <tr> <td><b>1.</b></td> <td>Accounts receivable</td> <td>\$10,463</td> <td></td> </tr> <tr> <td></td> <td>Contribution revenue</td> <td></td> <td>\$10,463</td> </tr> <tr> <td></td> <td><i>To remove prior years balances from unapplied payments A/R balance and recognize as revenue.</i></td> <td></td> <td></td> </tr> <tr> <td><b>2.</b></td> <td>Bad debt expense</td> <td>\$16,779</td> <td></td> </tr> <tr> <td></td> <td>Allowance for doubtful accounts</td> <td></td> <td>\$16,779</td> </tr> <tr> <td></td> <td><i>To record additional allowance estimate for capital campaign based on actual writeoffs to revenue for campaign to date history and to record the projected error effect on the entire pledge receivable population for two errors noted from returned confirmations.</i></td> <td></td> <td></td> </tr> <tr> <td><b>3.</b></td> <td>Bad debt expense</td> <td>\$11,758</td> <td></td> </tr> <tr> <td></td> <td>Unrestricted net assets</td> <td></td> <td>\$11,758</td> </tr> <tr> <td></td> <td><i>To reflect accounts that were improperly written off at 8/31/10.</i></td> <td></td> <td></td> </tr> </tbody> </table>	<b>JE#</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>	<b>1.</b>	Accounts receivable	\$10,463			Contribution revenue		\$10,463		<i>To remove prior years balances from unapplied payments A/R balance and recognize as revenue.</i>			<b>2.</b>	Bad debt expense	\$16,779			Allowance for doubtful accounts		\$16,779		<i>To record additional allowance estimate for capital campaign based on actual writeoffs to revenue for campaign to date history and to record the projected error effect on the entire pledge receivable population for two errors noted from returned confirmations.</i>			<b>3.</b>	Bad debt expense	\$11,758			Unrestricted net assets		\$11,758		<i>To reflect accounts that were improperly written off at 8/31/10.</i>		
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## Required Communications

<b><i>Requirement</i></b>	<b><i>Discussion Points</i></b>
<b>Disagreements with management</b>	There were no disagreements with management on financial accounting and/or reporting matters and auditing procedures that, if not satisfactorily resolved, would cause a modification of our auditors' reports.
<b>Consultations with other accountants</b>	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.
<b>Major issues discussed with management prior to acceptance</b>	Prior to our being accepted as auditor for the current fiscal year, there were no major accounting or other issues of concern discussed with management.
<b>Significant issues discussed with management</b>	There were no significant issues discussed with management.
<b>Significant difficulties encountered during the audit</b>	There were no significant difficulties encountered during the audit.
<b>Fraud and potential illegal acts involving senior management and those that cause a material misstatement of the financial statements</b>	We are not aware of any matters that require communication. Refer to "Fraud Considerations" included in the "Status of Our Audit" section for more information about our procedures related to the risks of material misstatement due to fraud.
<b>Representations requested from management</b>	Please refer to the management representation letter.
<b>Other issues arising from the audit the auditor considers significant and relevant to those charged with governance</b>	There were no other issues arising from the audit that we consider significant and relevant to those charged with governance.
<b>Material alternative accounting treatments discussed with management</b>	There was no discussion with management concerning alternative accounting treatments, except the accounting for restricted contributions whose restriction had been fulfilled in the same period as unrestricted support as previously discussed.
<b>Independence</b>	We are not aware of any relationships between Cross, Fernandez & Riley, LLP and the Federation that, in our professional judgment, may reasonably be thought to bear on our independence.