

# The Jewish Federation of Greater Orlando, Inc.

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**Financial Statements**  
Years Ended August 31, 2013 and 2012

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

# The Jewish Federation of Greater Orlando, Inc.

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of The Jewish Federation of Greater Orlando, Inc., which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of activities, cash flows and functional expenses 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 accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's 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 auditor's judgment, including the assessment of the risks 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 financial position of The Jewish Federation of Greater Orlando, Inc. as of August 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Cross, Fernandez & Riley, LLP*

Certified Public Accountants

January 14, 2014

# The Jewish Federation of Greater Orlando, Inc.

## Statements of Financial Position

<i>August 31,</i>	<b>2013</b>	<b>2012</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 307,043	\$ 181,961
Accounts receivable, primarily from local agencies	229,499	156,344
Contributions receivable, net (Notes 4, 7 and 8)	657,619	596,495
Other assets	6,675	16,889
Assets held by T.O.P. Foundation (Note 5)	799,282	936,166
Interest in net assets of T.O.P. Foundation (Note 5)	673,300	653,319
Loan costs, net of accumulated amortization of \$0 and \$111,777 (Note 8)	74,506	203,987
Property and equipment (Notes 6 and 8)	15,037,273	15,608,893
	<b>\$ 17,785,197</b>	<b>\$ 18,354,054</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 101,869	\$ 90,358
Grants and allocations payable to affiliates (Note 9)	222,811	270,099
Interest rate swap liability (Note 8)	–	981,877
Long-term payable (Note 7)	323,053	323,053
Long-term debt (Note 8)	5,718,253	4,820,000
<b>Total liabilities</b>	<b>6,365,986</b>	<b>6,485,387</b>
<b>Net assets:</b>		
Unrestricted – board designated (Note 5)	1,977,185	1,812,664
Unrestricted – designated for property and equipment	9,393,526	10,011,003
Temporarily restricted (Note 10)	48,500	45,000
<b>Total net assets</b>	<b>11,419,211</b>	<b>11,868,667</b>
	<b>\$ 17,785,197</b>	<b>\$ 18,354,054</b>

*See accompanying notes to financial statements.*

# The Jewish Federation of Greater Orlando, Inc.

## Statements of Activities

<i>Year ended August 31,</i>	2013			2012		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
<b>Revenues and support:</b>						
Contributions	\$ 742,708	\$ 18,500	\$ 761,208	\$ 696,613	\$ –	\$ 696,613
Tuition income	23,655	–	23,655	19,604	–	19,604
Program fees and sponsorships	111,001	–	111,001	242,894	–	242,894
Rental income - local agencies (Note 1)	929,771	–	929,771	829,625	–	829,625
Investment income (Note 3)	155,218	–	155,218	126,126	–	126,126
Miscellaneous income	1,425	–	1,425	1,126	–	1,126
Net assets released from restrictions (Note 10)	15,000	(15,000)	–	46,905	(46,905)	–
<b>Total revenues and support</b>	<b>1,978,778</b>	<b>3,500</b>	<b>1,982,278</b>	<b>1,962,893</b>	<b>(46,905)</b>	<b>1,915,988</b>
<b>Expenses:</b>						
Grants and allocations to affiliated organizations	107,934	–	107,934	220,084	–	220,084
Program services	167,936	–	167,936	296,884	–	296,884
Management and general	390,578	–	390,578	699,596	–	699,596
Facility	1,264,855	–	1,264,855	1,235,765	–	1,235,765
Fundraising	345,792	–	345,792	329,089	–	329,089
<b>Total expenses</b>	<b>2,277,095</b>	<b>–</b>	<b>2,277,095</b>	<b>2,781,418</b>	<b>–</b>	<b>2,781,418</b>
Loss on debt extinguishment (Note 8)	(320,740)	–	(320,740)	–	–	–
Increase in interest in net assets of T.O.P. Foundation (Note 5)	41,881	–	41,881	22,618	–	22,618
Increase (decrease) in value of interest rate swap (Note 8)	124,220	–	124,220	(125,125)	–	(125,125)
<b>Change in net assets</b>	<b>(452,956)</b>	<b>3,500</b>	<b>(449,456)</b>	<b>(921,032)</b>	<b>(46,905)</b>	<b>(967,937)</b>
<b>Net assets, beginning of year</b>	<b>11,823,667</b>	<b>45,000</b>	<b>11,868,667</b>	<b>12,744,699</b>	<b>91,905</b>	<b>12,836,604</b>
<b>Net assets, end of year</b>	<b>\$11,370,711</b>	<b>\$48,500</b>	<b>\$11,419,211</b>	<b>\$11,823,667</b>	<b>\$ 45,000</b>	<b>\$11,868,667</b>

See accompanying notes to financial statements.

# The Jewish Federation of Greater Orlando, Inc.

## Statements of Cash Flows

<i>Year ended August 31,</i>	2013	2012
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (449,456)	\$ (967,937)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	638,729	629,107
Amortization of bond issue costs	7,293	12,501
Amortization of pledge discount	(38,235)	(4,523)
Provision for doubtful accounts	515	329,903
Loss on debt extinguishment	320,740	–
Loss on disposal of property and equipment	23,129	–
Decrease (increase) in value of interest rate swap	(124,220)	125,125
Investment income from assets held by T.O.P. Foundation	(154,779)	(125,687)
Increase in interest in net assets held by T.O.P. Foundation	(41,881)	(22,618)
Net distributions from assets held by T.O.P. Foundation	291,663	178,776
Cash provided by (used for):		
Accounts receivable, local agencies	(73,155)	(73,549)
Contributions receivable	(23,404)	165,937
Other assets	10,214	37,419
Distributions from interest in net assets of T.O.P. Foundation	21,900	24,755
Accounts payable and accrued expenses	11,511	8,709
Grants and allocations payable to affiliates	(47,288)	24,826
Net cash provided by operating activities	373,276	342,744
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(90,238)	(10,501)
<b>Cash flows from financing activities:</b>		
Payments on bonds payable and interest rate swap	(5,677,657)	(290,000)
Payments on long-term payable	–	(44,647)
Proceeds from notes payable	5,591,449	–
Payments on notes payable	(71,748)	–
Net cash used for financing activities	(157,956)	(334,647)
Net increase (decrease) in cash and cash equivalents	125,082	(2,404)
<b>Cash and cash equivalents, beginning of year</b>	<b>181,961</b>	<b>184,365</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 307,043</b>	<b>\$ 181,961</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	\$ 153,363	\$ 174,021

*See accompanying notes to financial statements.*

# The Jewish Federation of Greater Orlando, Inc.

## Statements of Functional Expenses

Year ended August 31,	2013					2012				
	Supporting Services					Supporting Services				
	Program Services	Management and General	Facility	Fundraising	Total	Program Services	Management and General	Facility	Fundraising	Total
Salaries	\$ 99,197	\$ 30,853	\$ 33,078	\$171,973	\$ 335,101	\$ 93,365	\$ 36,044	\$ 27,150	\$158,966	\$ 315,525
Employee benefits	11,968	5,037	3,802	21,918	42,725	9,124	3,810	2,748	17,503	33,185
Payroll taxes	8,617	3,001	2,543	14,945	29,106	8,501	3,274	2,470	14,476	28,721
<b>Total salaries and benefits</b>	<b>119,782</b>	<b>38,891</b>	<b>39,423</b>	<b>208,836</b>	<b>406,932</b>	<b>110,990</b>	<b>43,128</b>	<b>32,368</b>	<b>190,945</b>	<b>377,431</b>
Professional fees	22,566	106,370	171,000	36,933	336,869	23,666	71,565	154,578	16,621	266,430
Programs and events	17,280	2,221	–	74,089	93,590	152,289	5,118	–	72,270	229,677
Conferences	1,601	4,519	–	3,688	9,808	898	2,799	–	674	4,371
Advertising and marketing	814	–	–	4,594	5,408	3,804	–	–	30,891	34,695
Awards	2,000	30,609	–	232	32,841	–	28,145	–	1,104	29,249
Occupancy costs	385	13,828	29,352	690	44,255	294	14,697	–	128	15,119
Facility administration	–	–	237,353	–	237,353	–	–	234,638	–	234,638
Bad debts	–	515	–	–	515	–	329,903	–	–	329,903
Bank and T.O.P. management fees	291	111,322	–	708	112,321	509	131,907	–	732	133,148
Insurance	–	8,137	–	–	8,137	–	18,826	3,780	–	22,606
Interest	–	3,834	149,529	–	153,363	–	4,351	169,670	–	174,021
Miscellaneous	303	24,399	–	–	24,702	1,300	16,951	–	783	19,034
Office machines (purchase, rentals and maintenance) and other maintenance	–	5,535	3,150	–	8,685	–	4,265	6,748	–	11,013
Office supplies	–	4,463	–	156	4,619	13	3,134	–	857	4,004
Postage	63	1,291	–	8,203	9,557	539	707	–	6,207	7,453
Printing	2,695	1,663	–	7,663	12,021	700	598	–	7,877	9,175
Recruiting	156	13,725	–	–	13,881	1,882	3,080	–	–	4,962
Telephone and internet	–	3,105	5,177	–	8,282	–	4,382	8,415	–	12,797
<b>Total expenses before depreciation and amortization</b>	<b>167,936</b>	<b>374,427</b>	<b>634,984</b>	<b>345,792</b>	<b>1,523,139</b>	<b>296,884</b>	<b>683,556</b>	<b>610,197</b>	<b>329,089</b>	<b>1,919,726</b>
Depreciation and amortization	–	16,151	629,871	–	646,022	–	16,040	625,568	–	641,608
	<b>\$167,936</b>	<b>\$390,578</b>	<b>\$1,264,855</b>	<b>\$345,792</b>	<b>\$2,169,161</b>	<b>\$296,884</b>	<b>\$699,596</b>	<b>\$1,235,765</b>	<b>\$329,089</b>	<b>\$2,561,334</b>

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).

# The Jewish Federation of Greater Orlando, Inc.

## 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 cash and cash equivalents, 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 long-term debt and payables 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 has no Level 1 or Level 3 financial assets or liabilities.

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 \$799,282 and \$936,166 at August 31, 2013 and 2012, respectively, and an interest in net assets of T.O.P. Foundation of \$673,300 and \$653,319 at August 31, 2013 and 2012, respectively. These assets consist of pooled investments in money market, bonds and equity securities maintained and invested by T.O.P. Foundation.

The Federation's Level 2 financial liabilities include an interest rate swap of \$0 and \$981,877 at August 31, 2013 and 2012, 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

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

then net present valued to generate a current market value. The swap was paid in full during 2013 in connection with its bond refinance as further discussed in Note 8.

### **Accounts Receivable**

Accounts receivable primarily represent amounts due from local agencies for rental income and is recognized and billed on a monthly basis based on tenant occupancy. The Federation periodically evaluates collections based on historical experience and management determined that all amounts were collectible so no allowance was recorded.

### **Property and Equipment**

Property and equipment are stated at cost except for donated property which is stated at the estimated fair 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.

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

### **Loan Costs**

Loan costs are amortized using the straight-line method over the term of the debt instrument.

### **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 beyond 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 under lease agreements which mature on various dates from 2025 to 2028. 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. Other costs are charged related to debt service on the buildings, major reserves for capital replacement and information technology expenses. Rental income from local agencies consists of the following:

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

<i>Year ended August 31,</i>	<b>2013</b>	<b>2012</b>
Square footage and overhead	\$ 400,653	\$ 310,427
Debt service costs	278,411	278,411
Major reserves	176,792	176,792
Information technology	73,915	63,995
	<b>\$ 929,771</b>	<b>\$ 829,625</b>

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

<i>Years ended August 31,</i>	
2014	\$ 278,411
2015	278,411
2016	278,411
2017	278,411
2018	278,411
Thereafter	2,621,704
	<b>\$ 4,013,759</b>

### **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

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

interest expense and penalties in operating expenses. The Federation's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

### **Reclassifications**

Certain items have been reclassified in the 2012 financial statements to conform to the 2013 presentation.

### **3. Investment Income**

Investment income consists of the following

<i>Year ended August 31,</i>	<b>2013</b>	<b>2012</b>
<b>Investment income from assets held by T.O.P. Foundation:</b>		
Management fee income	\$ 103,355	\$ 99,247
Interest income	9,108	12,155
Unrealized gains	42,316	14,285
<b>Investment income from assets held by T.O.P. Foundation</b>	<b>154,779</b>	<b>125,687</b>
Other interest income	439	439
<b>Total investment income</b>	<b>\$ 155,218</b>	<b>\$ 126,126</b>

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

### 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>	<b>2013</b>	2012
Less than one year	\$ 333,470	\$ 434,074
One to five years	28,280	244,294
Due beyond five years	426,500	426,500
	<b>788,250</b>	1,104,868
Less: allowance for doubtful accounts	(10,548)	(350,055)
Less: present value discount at 4% – 30%	(120,083)	(158,318)
	<b>\$ 657,619</b>	\$ 596,495

### 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 \$69,361 and \$74,489 of management fee expense for their share during the years ended August 31, 2013 and 2012, 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 Accounting Standards “Transfers of Assets to a Not-

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

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 \$291,663 and \$178,776 for the years ended August 31, 2013 and 2012, respectively, reduced the value of “Assets Held by T.O.P. Foundation.” In April 2013, the Federation transferred the funds in the Facilities Maintenance Reserve Fund held by T.O.P. to an account at a bank in connection with the bond refinance as further discussed in Note 8.

Assets held by T.O.P. Foundation includes \$157,342 and \$152,541 as of August 31, 2013 and 2012, respectively, designated by the Board of Directors for certain programs.

### **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 \$21,900 and \$24,755 were received during the years ended August 31, 2013 and 2012, respectively, and reduced the “Interest in Net Assets of T.O.P. Foundation.” The change in value of these assets was an increase of \$41,881 and \$22,618 for the years ended August 31, 2013 and 2012, respectively, and is recorded as “increase 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.

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

### 6. Property and Equipment

Property and equipment are comprised of the following:

<i>August 31,</i>	<i>Useful Life</i>	<b>2013</b>	2012
Land and improvements	15-30 yrs.	<b>\$ 2,825,276</b>	\$ 2,825,276
Buildings and improvements	5-40 yrs.	<b>19,690,919</b>	19,638,168
Furniture and equipment	3-15 yrs.	<b>1,028,234</b>	990,746
Construction in process	–	–	23,129
		<b>23,544,429</b>	23,477,319
Less accumulated depreciation		<b>(8,507,156)</b>	(7,868,426)
		<b>\$15,037,273</b>	\$15,608,893

### 7. Long-Term Payable

The Federation has a long-term payable due to a local Foundation. There are no set repayment terms and the payable is non-interest bearing. Payments under the long-term payable are due upon receipt of contributions receivable due for the South Orlando Capital Campaign. The outstanding balance at August 31, 2013 and 2012 was \$323,053.

### 8. Long-Term Debt

#### **Bonds Payable**

The Federation had entered into agreements with the Orange County Industrial Development Authority and a Bank 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 were backed by irrevocable, direct pay, letter of credits issued by the Bank on behalf of the Federation for the benefit of the bondholders which expired on April 30, 2013. The bonds were collateralized by certain real property and campaign pledges and called for annual sinking fund deposits and redemptions maturing in 2028. Interest on the bonds was payable monthly and was established at market value by the bond's remarketing agent. At August 31, 2012, interest was .21% and .37% for the tax-exempt and taxable bonds, respectively. The agreements set the bond's maximum interest rate at the lower of 12% or the maximum amount allowed by law. Terms of the bond agreements and letters of credit required the Federation to meet certain financial

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

covenants and limited investments and the creation of additional liabilities, as defined in the agreements. Bonds payable at August 31, 2012 included \$4,070,000 of tax-exempt bonds and \$750,000 of taxable bonds. During 2013, the bonds were paid in full in connection with the bond refinance as discussed below.

### **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 involved 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 was accrued as interest rates change and recognized as an adjustment to interest expense.

The Federation paid the Bank, on a monthly basis, interest at a fixed rate of 4.09% on a decreasing notational amount (\$4,070,000 during 2012) in exchange for the Bank paying the Federation a tax-exempt rate based on the LIBOR Index. The agreement was set to expire 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 had determined that the swap agreement qualified as a highly effective hedge under current accounting standards. The fair value of the interest rate swap was in an unfavorable position of \$981,877 at August 31, 2012 and was recorded as a liability in the accompanying statements of financial position. The swap was paid in full during 2013 in connection with the bond refinance as discussed below. The increase (decrease) in value of the interest rate swap of \$124,220 and \$(125,125) during the years ended August 31, 2013 and 2012, respectively, was recorded as a non-operating activity in the accompanying statements of activities.

In the event the Federation defaulted 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 was required to pay a termination fee to the Bank based on the difference between the floating rate and the fixed rate. A termination fee of \$857,657 was paid in connection with the bond refinance using proceeds from the issuance of notes payable as discussed below.

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

### Notes Payable and Bond Refinance

In April 2013, the Federation refinanced the principal balances of the tax-exempt bond of \$4,070,000, taxable bond of \$750,000 and the interest rate swap termination fee of \$857,657 as well as closing costs not paid by the Federation of \$112,343 into two notes payable (“Term Loan A and Term Loan B”) with a bank (the “Term Loans”). The original principal amounts for Term Loan A and Term Loan B were \$4,070,000 and \$1,720,000, respectively, and accrue interest at rates of 2.45% and at 3.75%, respectively. Principal payments under the term loans are due monthly with a balloon payment of approximately \$3,309,000 due when the Term Loans mature on March 31, 2023. The Term Loans are subject to certain financial covenants and are collateralized by certain assets of the Federation. The Federation was in compliance with these covenants as of and for the year ended August 31, 2013.

In connection with the refinancing, the Federation recognized a loss on debt extinguishment of \$320,740 representing \$124,046 of fees paid to the banks or fees paid to third parties on the banks’ behalf and the write-off of unamortized loan costs on the bonds payable of \$196,694.

As of August 31, 2013, Term Loan A and Term Loan B carried principal balances of \$4,017,473 and \$1,700,780, respectively. Principal payments on long-term debt of the Federation over future years are as follows:

<i>Years ended August 31,</i>	
2014	\$ 222,090
2015	228,398
2016	234,894
2017	241,582
2018	248,469
Thereafter	4,542,820
	<hr/>
	\$ 5,718,253

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

### 9. Grants and allocations Payable to Affiliates

Grants and allocations are payable as follows:

<i>August 31,</i>	2013	2012
United Jewish Appeal	\$ 222,007	\$ 269,295
Other agencies	804	804
	<b>\$ 222,811</b>	<b>\$ 270,099</b>

### 10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

<i>August 31,</i>	2013	2012
Beit Hamadrash Travel Program	\$ 18,500	\$ –
Annual Campaign pledges to be used in future years	30,000	45,000
	<b>\$ 48,500</b>	<b>\$ 45,000</b>

Net assets were released from restrictions of \$15,000 and \$46,905 during the years ended August 31, 2013 and 2012, respectively, for program expenses and passage of time.

### 11. Subsequent Events

The Federation has evaluated events and transactions occurring subsequent to August 31, 2013 as of January 14, 2014, which is the date the financial statements were available to be issued. Subsequent events occurring after January 14, 2014 have not been evaluated by management. No material events have occurred since August 31, 2013 that require recognition or disclosure in the financial statements.