

# The Jewish Federation of Greater Orlando, Inc.

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**Financial Statements**  
Years Ended August 31, 2012 and 2011

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

# 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, 2012 and 2011 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, 2012 and 2011 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

February 7, 2013

# The Jewish Federation of Greater Orlando, Inc.

## Statements of Financial Position

<i>August 31,</i>	2012	2011
<b>Assets:</b>		
Cash and cash equivalents	\$ 181,961	\$ 184,365
Accounts receivable, primarily from local agencies	156,344	82,795
Contributions receivable, net (Notes 4, 7 and 8)	596,495	1,087,812
Other assets	16,889	54,308
Assets held by T.O.P. Foundation (Note 5)	936,166	989,255
Interest in net assets of T.O.P. Foundation (Note 5)	653,319	655,456
Bond issue costs, net of accumulated amortization of \$111,777 and \$99,276	203,987	216,488
Property and equipment (Notes 6 and 8)	15,608,893	16,227,499
	<b>\$ 18,354,054</b>	<b>\$ 19,497,978</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 90,358	\$ 81,649
Grants and allocations payable to affiliates (Note 9)	270,099	245,273
Long-term payable (Note 7)	323,053	367,700
Interest rate swap liability (Note 8)	981,877	856,752
Bonds payable (Note 8)	4,820,000	5,110,000
	<b>6,485,387</b>	<b>6,661,374</b>
<b>Net assets:</b>		
Unrestricted	1,812,664	2,267,464
Unrestricted – designated for property and equipment	10,011,003	10,477,235
Temporarily restricted (Note 10)	45,000	91,905
	<b>11,868,667</b>	<b>12,836,604</b>
	<b>\$ 18,354,054</b>	<b>\$ 19,497,978</b>

*See accompanying notes to financial statements.*

# The Jewish Federation of Greater Orlando, Inc.

## Statements of Activities

<i>Year ended August 31,</i>	2012			2011		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
<b>Revenues and other support:</b>						
Contributions	\$ 696,613	\$ –	\$ 696,613	\$ 702,564	\$ 76,290	\$ 778,854
Tuition income	19,604	–	19,604	45,475	–	45,475
Program fees and sponsorships	242,894	–	242,894	218,275	–	218,275
Rental income - local agencies	829,625	–	829,625	695,605	–	695,605
Investment income (Note 3)	126,126	–	126,126	166,698	–	166,698
Miscellaneous income	1,126	–	1,126	82,988	–	82,988
Net assets released from restrictions (Note 10)	46,905	(46,905)	–	35,000	(35,000)	–
<b>Total revenue and other support</b>	<b>1,962,893</b>	<b>(46,905)</b>	<b>1,915,988</b>	1,946,605	41,290	1,987,895
<b>Expenses:</b>						
Grants and allocations to affiliated organizations	220,084	–	220,084	169,361	–	169,361
Program services	298,083	–	298,083	264,586	–	264,586
Management and general	771,994	–	771,994	381,714	–	381,714
Facility	1,162,772	–	1,162,772	1,163,665	–	1,163,665
Fundraising	328,485	–	328,485	326,141	–	326,141
<b>Total expenses</b>	<b>2,781,418</b>	<b>–</b>	<b>2,781,418</b>	2,305,467	–	2,305,467
Increase in interest in net assets of T.O.P. Foundation (Note 5)	22,618	–	22,618	56,508	–	56,508
Increase (decrease) in value of interest rate swap (Note 8)	(125,125)	–	(125,125)	45,381	–	45,381
<b>Change in net assets</b>	<b>(921,032)</b>	<b>(46,905)</b>	<b>(967,937)</b>	(256,973)	41,290	(215,683)
<b>Net assets, beginning of year</b>	<b>12,744,699</b>	<b>91,905</b>	<b>12,836,604</b>	13,001,672	50,615	13,052,287
<b>Net assets, end of year</b>	<b>\$11,823,667</b>	<b>\$ 45,000</b>	<b>\$11,868,667</b>	\$12,744,699	\$91,905	\$12,836,604

*See accompanying notes to financial statements.*

# The Jewish Federation of Greater Orlando, Inc.

## Statements of Cash Flows

<i>Year ended August 31,</i>	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (967,937)	\$ (215,683)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	629,107	634,648
Amortization of bond issue costs	12,501	14,293
Amortization of pledge discount	(4,523)	(12,947)
Provision for doubtful accounts	329,903	(40,314)
Donated assets held for sale	–	(32,840)
Decrease (increase) in value of interest rate swap	125,125	(45,381)
Investment income from assets held by T.O.P. Foundation	(125,687)	(165,475)
Increase in interest in net assets held by T.O.P. Foundation	(22,618)	(56,508)
Net distributions from assets held by T.O.P. Foundation	178,776	137,611
Cash provided by (used for):		
Accounts receivable, local agencies	(73,549)	70,085
Contributions receivable	165,937	107,362
Other assets	37,419	(9,405)
Distributions from interest in net assets of T.O.P. Foundation	24,755	16,560
Accounts payable and accrued expenses	8,709	(6,676)
Grants and allocations payable to affiliates	24,826	(23,506)
<b>Net cash provided by operating activities</b>	<b>342,744</b>	<b>371,824</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(10,501)	(19,988)
<b>Cash flows from financing activities:</b>		
Payments on bonds payable	(290,000)	(280,000)
Payments on long-term payable	(44,647)	–
<b>Net cash used for financing activities</b>	<b>(334,647)</b>	<b>(280,000)</b>
Net (decrease) increase in cash and cash equivalents	(2,404)	71,836
<b>Cash and cash equivalents, beginning of year</b>	<b>184,365</b>	<b>112,529</b>
<b>Cash and cash equivalents,, end of year</b>	<b>\$ 181,961</b>	<b>\$ 184,365</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	\$ 174,021	\$ 198,174

*See accompanying notes to financial statements.*

# The Jewish Federation of Greater Orlando, Inc.

## Statements of Functional Expenses

Year ended August 31,	2012					2011				
	Supporting Services					Supporting Services				
	Program Services	Management and General	Facility	Fundraising	Total	Program Services	Management and General	Facility	Fundraising	Total
Salaries	\$100,605	\$ 44,564	\$ -	\$170,356	\$ 315,525	\$128,013	\$51,996	\$4,853	\$169,096	\$353,958
Employee benefits	10,450	5,782	-	16,953	33,185	8,851	5,559	-	13,722	28,132
Payroll taxes	9,259	4,243	-	15,219	28,721	11,061	4,406	371	13,983	29,821
<b>Total salaries and benefits</b>	<b>120,314</b>	<b>54,589</b>	<b>-</b>	<b>202,528</b>	<b>377,431</b>	<b>147,925</b>	<b>61,961</b>	<b>5,224</b>	<b>196,801</b>	<b>411,911</b>
Professional fees	15,541	132,502	113,953	4,434	266,430	13,026	143,535	114,449	8,068	279,078
Programs and events	152,289	5,118	-	72,270	229,677	82,923	603	-	72,135	155,661
Conferences	898	2,799	-	674	4,371	3,856	3,180	-	565	7,601
Advertising and marketing	3,804	-	-	30,891	34,695	4,821	-	-	22,288	27,109
Awards	-	28,145	-	1,104	29,249	2,000	17,809	-	332	20,141
Occupancy costs	294	14,697	-	128	15,119	1,044	12,911	6,888	-	20,843
Facility administration	-	-	234,638	-	234,638	-	-	178,534	-	178,534
Bad debts	-	329,903	-	-	329,903	-	(40,314)	-	-	(40,314)
Bank and T.O.P. management fees	509	131,907	-	732	133,148	1,125	122,410	-	848	124,383
Insurance	-	18,826	3,780	-	22,606	-	16,389	9,163	-	25,552
Interest	-	4,351	169,670	-	174,021	-	4,954	193,220	-	198,174
Miscellaneous	1,300	16,951	-	783	19,034	6,179	4,592	2,641	530	13,942
Office machines (purchase, rentals and maintenance) and other maintenance	-	4,265	6,748	-	11,013	949	4,349	4,297	-	9,595
Office supplies	13	3,134	-	857	4,004	352	3,757	92	41	4,242
Postage	539	707	-	6,207	7,453	111	4,364	-	15,130	19,605
Printing	700	598	-	7,877	9,175	275	695	-	9,403	10,373
Recruiting	1,882	3,080	-	-	4,962	-	-	-	-	-
Telephone and internet	-	4,382	8,415	-	12,797	-	4,295	16,440	-	20,735
<b>Total expenses before depreciation and amortization</b>	<b>298,083</b>	<b>755,954</b>	<b>537,204</b>	<b>328,485</b>	<b>1,919,726</b>	<b>264,586</b>	<b>365,490</b>	<b>530,948</b>	<b>326,141</b>	<b>1,487,165</b>
Depreciation and amortization	-	16,040	625,568	-	641,608	-	16,224	632,717	-	648,941
	<b>\$298,083</b>	<b>\$771,994</b>	<b>\$1,162,772</b>	<b>\$328,485</b>	<b>\$2,561,334</b>	<b>\$264,586</b>	<b>\$381,714</b>	<b>\$1,163,665</b>	<b>\$326,141</b>	<b>\$2,136,106</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 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 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 \$936,166 and \$989,255 at August 31, 2012 and 2011, respectively, and an interest in net assets of T.O.P. Foundation of \$653,319 and \$655,456 at August 31, 2012 and 2011, 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 \$981,877 and \$856,752 at August 31, 2012 and 2011, 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.

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

### **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.

### **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

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

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 \$374,422 and \$417,194 has been recorded as rental revenue for the years ended August 31, 2012 and 2011, 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, 2012 and 2011 in connection with the debt service charges.

During the year ended August 31, 2012, the Federation charged an additional \$176,792 to these organizations for major reserves, which is also included in rental income.

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

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

<i>Years ended August 31,</i>	
2013	\$ 278,411
2014	278,411
2015	278,411
2016	278,411
2017	278,411
Thereafter	2,900,115
	<b>\$ 4,292,170</b>

### **Advertising**

Advertising costs are expensed the first time advertising takes place and were \$34,697 and \$27,109 for the years ended August 31, 2012 and 2011, 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 subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

### Reclassifications

Certain items have been reclassified in the 2011 financial statements to conform to the 2012 presentation.

### 3. Investment Income

Investment income consists of the following

<i>Year ended August 31,</i>	<b>2012</b>	2011
<b>Investment income from assets held by T.O.P. Foundation:</b>		
Management fee income	\$ 99,247	\$ 102,950
Interest income	12,155	9,774
Unrealized gains	14,285	52,751
<b>Investment income from assets held by T.O.P. Foundation</b>	<b>125,687</b>	165,475
Other interest income	439	1,223
<b>Total investment income</b>	<b>\$ 126,126</b>	\$ 166,698

### 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>2012</b>	2011
Less than one year	\$ 434,074	\$ 698,221
One to five years	320,794	286,381
Due beyond five years	350,000	377,200
	<b>1,104,868</b>	1,361,802
Less: allowance for doubtful accounts	(350,055)	(111,149)
Less: present value discount at 4% – 30%	(158,318)	(162,841)
	<b>\$ 596,495</b>	\$ 1,087,812

# 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 \$74,489 and \$68,597 of management fee expense for their share during the years ended August 31, 2012 and 2011, 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 \$178,776 and \$137,611 for the years ended August 31, 2012 and 2011, respectively, reduced the value of “Assets Held by T.O.P. Foundation.”

# The Jewish Federation of Greater Orlando, Inc.

## 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>	<b>2012</b>	<b>2011</b>
Operating Reserves	\$ 66,655	\$ 66,505
Facilities Maintenance	214,980	214,732
Programs	152,541	152,619
Unrestricted Operating	501,990	555,399
	<b>\$ 936,166</b>	<b>\$ 989,255</b>

### **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 \$24,755 were received during the year ended August 31, 2012 and reduced the "Interest in Net Assets of T.O.P. Foundation." The change in value of these assets was an increase of \$22,618 and \$56,508 for the years ended August 31, 2012 and 2011, 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.

# 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>2012</b>	2011
Land and improvements	15-30 yrs.	<b>\$ 2,825,276</b>	\$ 2,825,276
Buildings and improvements	5-40 yrs.	<b>19,638,168</b>	19,627,668
Furniture and equipment	3-15 yrs.	<b>990,746</b>	990,746
Construction in process	–	<b>23,129</b>	23,129
		<b>23,477,319</b>	23,466,819
Less accumulated depreciation		<b>(7,868,426)</b>	(7,239,320)
		<b>\$15,608,893</b>	\$16,227,499

### 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, 2012 and 2011 was \$323,053 and \$367,700, respectively.

### 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 April 30, 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, 2012, interest was .21% and .37% for the tax-exempt and taxable bonds, respectively. At August 31, 2011, interest was 0.21% and 0.40% 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

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

bond agreements and letters of credit require the Federation to meet certain financial covenants and limit investments and the creation of additional liabilities, as defined in the agreement. The Federation was not in compliance with a certain financial covenant for the year ended August 31, 2012; however, the bank provided a written waiver for this violation. Bonds payable at August 31, 2012 included \$4,070,000 of tax-exempt bonds and \$750,000 of taxable bonds. Bonds payable at August 31, 2011 included \$4,240,000 of tax-exempt bonds and \$870,000 of taxable bonds.

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

<i>Years ended August 31,</i>	
2013	\$ 305,000
2014	315,000
2015	330,000
2016	350,000
2017	365,000
Thereafter	3,155,000
	<b>\$ 4,820,000</b>

### **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 (\$4,070,000 and \$4,240,000 at August 31, 2012 and 2011, 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 \$981,877 and \$856,752 at August 31, 2012 and 2011, respectively, and is recorded as a liability in the

# The Jewish Federation of Greater Orlando, Inc.

## Notes to Financial Statements

accompanying statements of financial position. The increase (decrease) in value of the interest rate swap of \$(125,125) and \$45,381 during the years ended August 31, 2012 and 2011, respectively, was recorded as a non-operating activity in the accompanying statements of activities.

In the event the Federation 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>	<b>2012</b>	2011
United Jewish Appeal	\$ 269,295	\$ 229,969
Other agencies	804	15,304
	<b>\$ 270,099</b>	\$ 245,273

### 10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

<i>August 31,</i>	<b>2012</b>	2011
Beit Hamadrash Travel Program	\$ –	\$ 16,919
Annual Campaign	<b>45,000</b>	74,986
	<b>\$ 45,000</b>	\$ 91,905

Net assets were released from restrictions of \$46,905 during the year ended August 31, 2012 and \$35,000 during the year ended August 31, 2011 for program expenses.

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## Notes to Financial Statements

### 11. Subsequent Events

The Federation has evaluated events and transactions occurring subsequent to August 31, 2012 as of February 7, 2013, which is the date the financial statements were available to be issued. Subsequent events occurring after February 7, 2013 have not been evaluated by management. No material events have occurred since August 31, 2012 that require recognition or disclosure in the financial statements, except as follows:

On November 19, 2012, The Federation signed a commitment letter with a bank (the “new bank”) to refinance the current tax-exempt and taxable bonds. The new bank will acquire the outstanding balances of the bonds currently held by the existing bank (as disclosed in Note 8) and issue the Federation term real estate loans. The term loans will begin to amortize at closing based on a 20-year amortization and mature 10 years from the date of closing. Monthly payments of outstanding and unpaid interest plus principal based on the foregoing amortization shall be due monthly during the term of each facility. The term loans will be for \$4,070,000 at 2.45% to cover the tax-exempt bond and up to \$1,720,000 at 3.75% to cover the taxable bond and the existing swap liability (estimated at \$970,000). The loans are collateralized by certain assets of the Federation and are subject to certain financial covenants. The closing date is expected to be in April 2013.