

**JEWISH FAMILY SERVICE OF NASHVILLE
AND MIDDLE TENNESSEE, INC.**

Financial Statements

August 31, 2004 and 2003

(With Independent Auditors' Report Thereon)



LATTIMORE BLACK MORGAN & CAIN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

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Independent Auditors' Report

To the Board of Directors of Jewish Family Service
of Nashville and Middle Tennessee, Inc.

We have audited the accompanying statements of financial position of Jewish Family Service of Nashville and Middle Tennessee, Inc. (the "Organization") as of August 31, 2004 and 2003, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization'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 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 Jewish Family Service of Nashville and Middle Tennessee, Inc. as of August 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Lattimore, Black, Morgan + Cain, P.C.

Brentwood, Tennessee
December 10, 2004

Nashville

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JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statements of Financial Position

August 31, 2004 and 2003

Assets

	<u>2004</u>	<u>2003</u>
Cash	\$ 17,321	\$ 19,790
Grants receivable	-	1,025
United Way designations receivable	4,510	2,686
Accounts receivable	9,424	4,792
Federation receivable	-	277
Other receivable	891	75
Pledges receivable	-	6,000
Prepaid expenses	790	1,653
Investments	173,496	171,799
Property and equipment, net	<u>3,090</u>	<u>4,095</u>
Total assets	\$ <u>209,522</u>	\$ <u>212,192</u>

Liabilities and Net Assets

Accounts payable	\$ <u>7,481</u>	\$ <u>9,979</u>
Net assets:		
Unrestricted		
Designated by governing board	107,209	105,029
Undesignated	86,102	90,020
Net investment in property and equipment	<u>3,090</u>	<u>4,095</u>
Total unrestricted net assets	<u>196,401</u>	<u>199,144</u>
Temporarily restricted net assets	<u>5,640</u>	<u>3,069</u>
Total net assets	<u>202,041</u>	<u>202,213</u>
Total liabilities and net assets	\$ <u>209,522</u>	\$ <u>212,192</u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statements of Activities

Years Ended August 31, 2004 and 2003

	2004			2003		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Public support received directly	\$ 1,679	\$ 500	\$ 2,179	\$ 651	\$ -	\$ 651
Memorial fund earnings received	-	-	-	317	-	317
Fundraiser, net of expenses (2004 - \$7,829; 2003 - \$5,576)	26,431	-	26,431	20,255	-	20,255
Friends campaign, net of expenses (2004 - \$0; 2003 - \$133)	-	-	-	13,749	-	13,749
Federated campaigns:						
Jewish Federation	140,000	-	140,000	156,152	-	156,152
United Way	5,250	4,758	10,008	4,567	2,687	7,254
Community Health Charities of TN	576	-	576	-	-	-
Use of donated facilities	18,480	-	18,480	18,480	-	18,480
Donated services	6,116	-	6,116	17,400	-	17,400
Resettlement grants	-	-	-	225	-	225
Other grants	3,500	-	3,500	6,600	-	6,600
Investment income	4,753	-	4,753	5,113	-	5,113
Net gain (loss) on investments	13,404	-	13,404	7,703	-	7,703
Fees, net	42,268	-	42,268	43,119	-	43,119
Net assets released from restrictions:						
United Way	2,687	(2,687)	-	3,719	(3,719)	-
Total support and revenue	265,144	2,571	267,715	298,050	(1,032)	297,018
Expenses:						
Program services:						
Refugee resettlement	-	-	-	4,212	-	4,212
Financial aid and counseling	181,687	-	181,687	186,208	-	186,208
Family and community education	9,215	-	9,215	13,468	-	13,468
Total program services	190,902	-	190,902	203,888	-	203,888
Management and general	76,985	-	76,985	66,893	-	66,893
Total expenses	267,887	-	267,887	270,781	-	270,781
Change in net assets	(2,743)	2,571	(172)	27,269	(1,032)	26,237
Net assets, beginning of year	199,144	3,069	202,213	171,875	4,101	175,976
Net assets, end of year	\$ 196,401	\$ 5,640	\$ 202,041	\$ 199,144	\$ 3,069	\$ 202,213

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statements of Cash Flows

Years Ended August 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Change in net assets	\$ (172)	\$ 26,237
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,520	294
Net (gain) loss on investments	(13,404)	(7,703)
Bad debts expense	6,000	-
(Increase) decrease in grants receivable	1,025	2,597
(Increase) decrease in United Way designations receivable	(1,824)	1,033
(Increase) decrease in accounts receivable	(4,632)	2,984
(Increase) decrease in Federation receivable	277	3,531
(Increase) decrease in other receivable	(816)	324
(Increase) decrease in pledges receivable	-	(500)
(Increase) decrease in prepaid expenses	863	(953)
Increase (decrease) in accounts payable	(2,498)	(128)
Total adjustments	<u>(13,489)</u>	<u>1,479</u>
Net cash provided (used) by operating activities	<u>(13,661)</u>	<u>27,716</u>
Cash flows from investing activities:		
Purchases of equipment	(515)	(4,389)
Purchases of investments	(86,609)	(77,022)
Proceeds from sale of investments	<u>98,316</u>	<u>64,241</u>
Net cash provided (used) by investing activities	<u>11,192</u>	<u>(17,170)</u>
Increase (decrease) in cash	(2,469)	10,546
Cash at beginning of year	<u>19,790</u>	<u>9,244</u>
Cash at end of year	\$ <u><u>17,321</u></u>	\$ <u><u>19,790</u></u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statement of Functional Expenses

Year Ended August 31, 2004

	<u>Program Services</u>			<u>Management and General</u>	<u>Total</u>
	<u>Financial Aid and Counseling</u>	<u>Family and Community Education</u>	<u>Total</u>		
Salaries	\$ 115,781	\$ 6,218	\$ 121,999	\$ 41,489	\$ 163,488
Donated services	5,758	176	5,934	182	6,116
Employee health and retirement benefits	11,461	610	12,071	4,195	16,266
Payroll taxes	<u>8,724</u>	<u>466</u>	<u>9,190</u>	<u>2,979</u>	<u>12,169</u>
 Total payroll and related expenses	 141,724	 7,470	 149,194	 48,845	 198,039
 Professional fees	 4,663	 270	 4,933	 2,103	 7,036
Conferences, conventions and meetings	976	37	1,013	756	1,769
Depreciation	1,055	53	1,108	412	1,520
Dues	1,691	108	1,799	395	2,194
Marketing and public relations	4,194	29	4,223	179	4,402
Rent	11,354	664	12,018	6,462	18,480
Specific assistance to individuals	4,896	-	4,896	-	4,896
Supplies	3,087	187	3,274	2,088	5,362
Telephone	3,083	177	3,260	1,686	4,946
Travel	891	27	918	289	1,207
Postage	405	28	433	200	633
Equipment contracts	1,046	67	1,113	490	1,603
Insurance	1,615	81	1,696	749	2,445
Taxes and licenses	329	14	343	512	855
Computer expense	106	3	109	440	549
Executive Director search	-	-	-	5,379	5,379
Bad debts	-	-	-	6,000	6,000
Programs	<u>572</u>	<u>-</u>	<u>572</u>	<u>-</u>	<u>572</u>
 Total	 <u>\$ 181,687</u>	 <u>\$ 9,215</u>	 <u>\$ 190,902</u>	 <u>\$ 76,985</u>	 <u>\$ 267,887</u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statement of Functional Expenses

Year Ended August 31, 2003

	Program Services				Management and	
	Refugee Resettlement	Financial Aid and Counseling	Family and Community Education	Total	General	Total
Salaries	\$ 2,460	\$ 107,951	\$ 8,957	\$ 119,368	\$ 42,416	\$ 161,784
Donated services	-	17,062	125	17,187	213	17,400
Employee health and retirement benefits	250	11,151	919	12,320	4,408	16,728
Payroll taxes	184	8,111	668	8,963	3,010	11,973
Total payroll and related expenses	2,894	144,275	10,669	157,838	50,047	207,885
Professional fees	-	4,703	477	5,180	1,630	6,810
Conferences, conventions and meetings	-	1,483	17	1,500	280	1,780
Depreciation	4	202	15	221	73	294
Dues	-	2,253	227	2,480	356	2,836
Marketing and public relations	-	1,755	27	1,782	65	1,847
Rent	31	11,300	908	12,239	6,241	18,480
Specific assistance to individuals	1,270	5,341	-	6,611	-	6,611
Supplies	-	3,154	267	3,421	1,291	4,712
Telephone	-	3,544	328	3,872	1,592	5,464
Travel	13	1,818	10	1,841	128	1,969
Postage	-	744	35	779	270	1,049
Equipment contracts	-	872	67	939	398	1,337
Insurance	-	1,524	102	1,626	644	2,270
Taxes and licenses	-	323	23	346	113	459
Computer expense	-	484	16	500	178	678
HIPAA compliance	-	1,978	-	1,978	-	1,978
Executive Director search	-	-	-	-	3,587	3,587
Programs	-	455	280	735	-	735
	\$ 4,212	\$ 186,208	\$ 13,468	\$ 203,888	\$ 66,893	\$ 270,781

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Notes to Financial Statements

August 31, 2004 and 2003

(1) Organization and purpose

Jewish Family Service of Nashville and Middle Tennessee, Inc. ("Jewish Family Service") is a Tennessee not-for-profit corporation. Its purpose is to provide a full range of social services. These services include counseling and psychotherapy, emergency financial assistance to the Jewish Community, adoption, case management, information and referral, Jewish family and community education, refugee resettlement, and other social service activities. The service area is Davidson County and Middle Tennessee.

Through its resettlement program, Jewish Family Service provides financial assistance and other services to refugees, the majority of whom are Jewish. The program is funded primarily by restricted support from the Jewish Federation of Nashville and Middle Tennessee (the "Jewish Federation") and federal grants administered by the Hebrew Immigrant Aid Society ("HIAS"). However, HIAS has recently determined that there are no expected Jewish refugee arrivals to Nashville in the foreseeable future. Therefore, they terminated the agency's status as an affiliate effective October 1, 2003.

(2) Summary of significant accounting policies

The financial statements of Jewish Family Service have been prepared on the accrual basis. The significant accounting policies followed are described below:

(a) Revenue recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Interest and investment income are recorded as revenue when received. Revenue is recorded for the use of the donated facilities and donated services when the use of space or services occurs.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Notes to Financial Statements, Continued

August 31, 2004 and 2003

(2) Summary of significant accounting policies, continued

(b) Receivables and credit policy

Accounts receivable for counseling services are uncollateralized client obligations due at the time the service is provided. Certain clients have been granted extended payment terms. Late fees or interest charges are not assessed on delinquent accounts. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected.

Pledges receivable are recorded when notice is received that a future donation will occur. No discounts are recorded on pledges receivable that are due within 12 months.

United Way receivables are recorded when notice is received that a future donation will occur. Grant revenue is recorded when expenditures are incurred that will be reimbursed by the grantor.

No allowance has been recorded because management believes the receivables are fully collectible.

(c) Investment securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. The changes in unrealized gains and losses are recognized in the statement of activities for the year.

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets and ordinary income from investments, receivables, and related activity are accounted for in the unrestricted or temporarily restricted funds unless the donor specifically permanently restricts such gains or losses or ordinary income.

Jewish Family Service treats the investment of cash in money market funds as investments for financial reporting purposes.

(d) Income taxes

Jewish Family Service qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

(e) Property and equipment

Property and equipment are stated at acquisition cost, or estimated fair market value at the time of the gift if donated, less accumulated depreciation, as calculated by the straight-line method, over estimated useful lives of three to seven years for furniture and equipment.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Notes to Financial Statements, Continued

August 31, 2004 and 2003

(2) Summary of significant accounting policies, continued

(f) Program and supportive services

The following program and supportive services are included in the accompanying financial statements:

Refugee resettlement – provides financial aid, educational assistance, job search assistance and general counseling primarily to Jewish refugees who reside in the Middle Tennessee area.

Financial aid and counseling – provides on-going individual, group, family and marital counseling using various therapeutic approaches, emergency financial assistance, adoption and case management.

Family and community education – includes preventive group presentations and workshops to strengthen Jewish family life.

Management and general – includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or activity. Includes costs associated with providing coordination and implementation of Jewish Family Service's program strategy, business management, general recordkeeping, budgeting and related purposes.

(g) Donated services and facilities

The value of services donated by individuals who help with the Refugee Resettlement program is not reflected in the financial statements because of the lack of an objective basis by which to measure such value. However, the estimated fair value for services provided by a graduate social work intern is shown as revenue and expense in the financial statements.

Jewish Family Service occupies without charge certain office space located in the Gordon Jewish Community Center. The estimated annual fair rental value of the office space is recognized as revenue and expense in the financial statements.

(h) Use of estimates in the preparation of financial statements

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Notes to Financial Statements, Continued

August 31, 2004 and 2003

(3) Grants receivable

Grants receivable consist of the following as of August 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
HIAS – Block Grant	\$ <u> - </u>	\$ <u> 1,025 </u>

(4) Investments

Investments consist of the following as of August 31, 2004 and 2003:

<u>Mutual Funds</u>	<u>2004</u>	<u>2003</u>
Income Fund of America, Inc.	\$ 77,549	\$ 73,044
Washington Mutual	36,756	30,157

Money Market Funds

Robert W. Baird & Co., Inc.	7,249	18,842
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Separately Invested – Condo Proceeds:

Money Market Funds

Robert W. Baird & Co., Inc.	30,139	30,041
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Mutual Funds

Income Fund of America	<u>21,803</u>	<u>19,715</u>
	\$ <u>173,496</u>	\$ <u>171,799</u>

The following schedule summarizes the investment income (losses) in the statements of activities for 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Investment income	\$ <u>4,753</u>	\$ <u>4,095</u>
Unrealized gain (loss) on investments	13,192	7,560
Realized gain (loss) on investments	<u>212</u>	<u>143</u>
Net gain (loss) on investments	\$ <u>13,404</u>	\$ <u>7,703</u>

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Notes to Financial Statements, Continued

August 31, 2004 and 2003

(5) Property and equipment

Property and equipment consist of the following as of August 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Furniture and equipment	\$ 28,351	\$ 27,836
Less accumulated depreciation	<u>25,261</u>	<u>23,741</u>
	\$ <u>3,090</u>	\$ <u>4,095</u>

(6) Accounts payable – related parties

Included in accounts payable at August 31, 2003 is \$954 payable to the Jewish Federation relating to the reimbursement of certain operating expenses.

Included in accounts payable at August 31, 2004 and 2003 are \$764 and \$1,814, respectively, payable to the Gordon Jewish Community Center relating to the reimbursement of certain operating expenses.

(7) Temporarily restricted net assets

Temporarily restricted net assets consist of the following at August 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
United Way designations	\$ 4,758	\$ 2,687
Micah Children's Tzedekah	382	382
Needy Family Assistance	<u>500</u>	<u>-</u>
	\$ <u>5,640</u>	\$ <u>3,069</u>

(8) Pension Plan

Jewish Family Service employees who meet certain participation requirements may elect to participate in a defined contribution plan. Participants must contribute a minimum of 1% of their covered wages and may contribute up to a maximum of 20% each year, with Jewish Family Service making a matching contribution of up to 5%. Pension expense for matching contributions amounted to \$6,948 in 2004 and \$7,028 in 2003.

Notes to Financial Statements, Continued

August 31, 2004 and 2003

(9) Concentrations of Credit Risk

Financial instruments that potentially subject Jewish Family Service to concentrations of credit risk consist of grants, accounts and United Way designations receivable. Accounts receivable consist of client accounts and are widely dispersed to mitigate credit risk. Grant and United Way receivables represent concentrations of credit risk to the extent that they are receivable from concentrated sources.

Jewish Family Service utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.