

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

Financial Statements

August 31, 2006 and 2005

(With Independent Auditors' Report Thereon)



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

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LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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, 2006 and 2005, 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, 2006 and 2005, 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
November 3, 2006

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JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statements of Financial Position

August 31, 2006 and 2005

Assets

	<u>2006</u>	<u>2005</u>
Cash	\$ 37,365	\$ 16,168
Grants receivable	6,145	3,789
United Way designations receivable	3,084	3,841
Accounts receivable	8,544	4,827
Pledges receivable	3,150	880
Other receivables	513	1,845
Prepaid expenses	1,230	1,159
Investments	155,352	158,035
Property and equipment, net	811	2,291
Beneficial interests in trusts controlled by others	21,755	20,637
	<u>237,949</u>	<u>213,472</u>
Total assets	\$ <u>237,949</u>	\$ <u>213,472</u>

Liabilities and Net Assets

Accounts payable	\$ <u>17,199</u>	\$ <u>15,841</u>
Net assets:		
Unrestricted:		
Designated by governing board	113,548	110,190
Undesignated	26,951	39,480
Net investment in property and equipment	811	2,291
Total unrestricted net assets	<u>141,310</u>	<u>151,961</u>
Temporarily restricted net assets	37,605	4,983
Permanently restricted net assets	<u>41,835</u>	<u>40,687</u>
Total net assets	<u>220,750</u>	<u>197,631</u>
Total liabilities and net assets	\$ <u>237,949</u>	\$ <u>213,472</u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statements of Activities

Years Ended August 31, 2006 and 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Public support received directly	\$ 4,478	\$ 360	\$ 30	\$ 4,868	\$ 766	\$ -	\$ 30,031	\$ 30,797
Health and wellness fair	4,323	-	-	4,323	2,220	-	-	2,220
Fundraiser, net of expenses (2006 - \$10,835; 2005 - \$8,758)	56,232	-	-	56,232	43,398	-	-	43,398
Memorial Fund	1,330	-	-	1,330	-	-	-	-
Auto donations	24	-	-	24	3,102	-	-	3,102
United Way	7,057	-	-	7,057	4,903	4,179	-	9,082
Community Health Charities of TN	1,320	-	-	1,320	668	-	-	668
Combined Federal Campaign/IICA Caring	1,312	-	-	1,312	-	-	-	-
Jewish Federation	155,000	37,500	-	192,500	146,974	-	-	146,974
Use of donated facilities	18,480	-	-	18,480	18,480	-	-	18,480
Donated services	2,062	-	-	2,062	4,347	-	-	4,347
Helping Hands grant	19,427	-	-	19,427	17,377	-	-	17,377
Other grants	19,511	-	-	19,511	1,500	-	-	1,500
Investment income	5,676	-	667	6,343	4,924	-	-	4,924
Net gain on investments	10,856	-	559	11,415	10,776	-	847	11,623
Fees, net	45,129	-	-	45,129	38,918	-	-	38,918
Net assets released from restrictions:								
Needy family assistance	422	(422)	-	-	78	(78)	-	-
Micah Children's Tzedekah	382	(382)	-	-	-	-	-	-
Wall of Remembrance Fund	255	(255)	-	-	-	-	-	-
United Way	4,179	(4,179)	-	-	4,758	(4,758)	-	-
Memorial fund	108	-	(108)	-	543	-	(543)	-
Total support and revenue	357,563	32,622	1,148	391,333	303,732	(657)	30,335	333,410
Expenses:								
Program services:								
Helping Hands	30,159	-	-	30,159	23,063	-	-	23,063
Financial aid and counseling	240,269	-	-	240,269	221,289	-	-	221,289
Family and community education	25,160	-	-	25,160	31,894	-	-	31,894
Total program services	295,588	-	-	295,588	276,246	-	-	276,246
Management and general	72,626	-	-	72,626	71,926	-	-	71,926
Total expenses	368,214	-	-	368,214	348,172	-	-	348,172
Change in net assets	(10,651)	32,622	1,148	23,119	(44,440)	(657)	30,335	(14,762)
Net assets, beginning of year	151,961	4,983	40,687	197,631	196,401	5,640	10,352	212,393
Net assets, end of year	\$ 141,310	\$ 37,605	\$ 41,835	\$ 220,750	\$ 151,961	\$ 4,983	\$ 40,687	\$ 197,631

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statements of Cash Flows

Years Ended August 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 23,119	\$ (14,762)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,480	1,774
Net unrealized gain on investments	(8,777)	(10,572)
Permanently restricted donations received	-	(20,050)
Change in beneficial interests in trusts controlled by others	(1,118)	(9,438)
(Increase) in grants receivable	(2,356)	(3,789)
Decrease in United Way designations receivable	757	669
(Increase) decrease in accounts receivable	(3,717)	4,597
(Increase) in pledges receivable	(2,270)	(880)
(Increase) decrease in other receivables	1,332	(954)
(Increase) in prepaid expenses	(71)	(369)
Increase in accounts payable	1,358	8,360
Total adjustments	<u>(13,382)</u>	<u>(30,652)</u>
Net cash provided (used) by operating activities	<u>9,737</u>	<u>(45,414)</u>
Cash flows from investing activities:		
Purchases of equipment	-	(975)
Purchases of investments	(103,419)	(127,912)
Proceeds from sale of investments	<u>114,879</u>	<u>153,098</u>
Net cash provided by investing activities	<u>11,460</u>	<u>24,211</u>
Cash flows from financing activities -		
Collection of permanently restricted donations	<u>-</u>	<u>20,050</u>
Increase (decrease) in cash	21,197	(1,153)
Cash at beginning of year	<u>16,168</u>	<u>17,321</u>
Cash at end of year	<u><u>\$ 37,365</u></u>	<u><u>\$ 16,168</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, 2006

	<u>Program Services</u>				<u>Management and General</u>	<u>Total</u>
	<u>Helping Hands</u>	<u>Financial Aid and Counseling</u>	<u>Family and Community Education</u>	<u>Total</u>		
Salaries	\$ 22,090	\$ 159,729	\$ 17,828	\$ 199,647	\$ 49,138	\$ 248,785
Donated services	-	2,026	38	2,064	-	2,064
Employee health and retirement benefits	749	18,133	2,125	21,007	5,344	26,351
Payroll taxes	1,424	11,621	1,289	14,334	3,502	17,836
Total payroll and related expenses	24,263	191,509	21,280	237,052	57,984	295,036
Professional fees	82	5,134	687	5,903	1,506	7,409
Conferences, conventions and meetings	411	7,949	86	8,446	2,424	10,870
Depreciation	121	961	101	1,183	297	1,480
Dues	76	1,768	152	1,996	566	2,562
Marketing and public relations	623	4,423	610	5,656	670	6,326
Rent	2,275	9,867	1,120	13,262	5,218	18,480
Specific assistance to individuals	-	5,086	-	5,086	-	5,086
Supplies	1,166	5,329	372	6,867	1,376	8,243
Telephone	71	2,975	302	3,348	1,010	4,358
Travel	213	1,315	52	1,580	386	1,966
Postage	67	803	68	938	167	1,105
Equipment contracts	31	1,106	121	1,258	398	1,656
Insurance	47	1,598	146	1,791	555	2,346
Taxes and licenses	3	362	51	416	37	453
Computer expense	709	61	12	782	24	806
Frist Foundation grant - website	1	23	-	24	8	32
	\$ 30,159	\$ 240,269	\$ 25,160	\$ 295,588	\$ 72,626	\$ 368,214

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Statement of Functional Expenses

Year Ended August 31, 2005

	<u>Program Services</u>				<u>Management and General</u>	
	<u>Helping Hands</u>	<u>Financial Aid and Counseling</u>	<u>Family and Community Education</u>	<u>Total</u>	<u>General</u>	<u>Total</u>
Salaries	\$ 13,584	\$ 150,436	\$ 22,996	\$ 187,016	\$ 48,334	\$ 235,350
Donated services	3	4,056	272	4,331	16	4,347
Employee health and retirement benefits	122	14,622	2,188	16,932	4,635	21,567
Payroll taxes	1,032	11,189	1,702	13,923	3,417	17,340
Total payroll and related expenses	14,741	180,303	27,158	222,202	56,402	278,604
Professional fees	1,355	4,112	430	5,897	1,624	7,521
Conferences, conventions and meetings	1,707	1,705	288	3,700	2,437	6,137
Depreciation	117	1,127	163	1,407	367	1,774
Dues	130	1,313	326	1,769	640	2,409
Marketing and public relations	1,148	5,078	164	6,390	435	6,825
Rent	2,020	9,316	1,614	12,950	5,530	18,480
Specific assistance to individuals	-	5,946	-	5,946	-	5,946
Supplies	1,297	3,923	484	5,704	1,346	7,050
Telephone	80	2,421	370	2,871	991	3,862
Travel	327	1,143	98	1,568	351	1,919
Postage	43	621	114	778	192	970
Equipment contracts	37	1,006	154	1,197	407	1,604
Insurance	22	1,641	196	1,859	593	2,452
Taxes and licenses	14	253	51	318	98	416
Computer expense	1	383	39	423	130	553
Frist Foundation grant - website	24	998	95	1,117	383	1,500
Programs	-	-	150	150	-	150
	\$ 23,063	\$ 221,289	\$ 31,894	\$ 276,246	\$ 71,926	\$ 348,172

See accompanying notes to financial statements.

Notes to Financial Statements

August 31, 2006 and 2005

(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, and other social service activities. The service area is Davidson County and Middle Tennessee.

(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 and support 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. Permanently restricted net assets include resources subject to donor-imposed restrictions that those resources be maintained permanently.

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 service occurs.

(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.

Notes to Financial Statements, Continued

August 31, 2006 and 2005

(2) Summary of significant accounting policies, continued

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 carried at their fair values in the statements 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 net assets unless the donor specifies that such gains or losses or ordinary income are to be maintained permanently.

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.

(f) Program and supportive services

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

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

Helping Hands – designed to support senior adults and people with disabilities in the Nashville Jewish community. Helping Hands is made possible by a grant from the Jewish Foundation of the Jewish Federation ("Jewish Federation") of Nashville and Middle Tennessee.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Notes to Financial Statements, Continued

August 31, 2006 and 2005

(2) Summary of significant accounting policies, continued

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.

Expenses by function are allocated among program and supportive services based on time records and analyses by management.

(g) Donated services and facilities

The value of services donated by individuals who assist with the Helping Hands 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 accounting principles generally accepted in the United States of America 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.

(3) Grants receivable

Grants receivable consist of the following as of August 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Jewish Federation – Helping Hands	\$ 5,145	\$ 3,789
Jewish Federation – Singles Program	500	-
Gordon Jewish Community Center – Singles Program	<u>500</u>	<u>-</u>
	<u>\$ 6,145</u>	<u>\$ 3,789</u>

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Notes to Financial Statements, Continued

August 31, 2006 and 2005

(4) Investments

Investments consist of the following as of August 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
<u>Mutual Funds</u>		
Income Fund of America, Inc.	\$ 71,837	\$ 68,139
Washington Mutual	24,705	23,245
<u>Money Market Funds</u>		
Robert W. Baird & Co., Inc.	532	11,732
<u>Separately Invested – Condo Proceeds:</u>		
<u>Money Market Funds</u>		
Robert W. Baird & Co., Inc.	769	471
<u>Mutual Funds</u>		
Income Fund of America, Inc.	44,305	42,024
Washington Mutual	<u>13,204</u>	<u>12,424</u>
	\$ <u><u>155,352</u></u>	\$ <u><u>158,035</u></u>

The following schedule summarizes the investment income in the statements of activities for 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Investment income	\$ <u><u>6,343</u></u>	\$ <u><u>4,924</u></u>
Unrealized gain on investments	8,777	10,572
Realized gain on investments	<u>2,638</u>	<u>1,051</u>
Net gain on investments	\$ <u><u>11,415</u></u>	\$ <u><u>11,623</u></u>

Ten percent of the investment income of the separately invested securities is added to principal in accordance with the restrictions set by the donor.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.

Notes to Financial Statements, Continued

August 31, 2006 and 2005

(5) Property and equipment

Property and equipment consist of the following as of August 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Furniture and equipment	\$ 29,326	\$ 29,326
Less accumulated depreciation	<u>28,515</u>	<u>27,035</u>
	\$ <u>811</u>	\$ <u>2,291</u>

(6) Beneficial interests in trusts controlled by others

The Jewish Foundation of the Jewish Federation holds the Al Beit Memorial Fund and the Elise Steiner Designated Fund for the benefit of Jewish Family Service. Jewish Family Service periodically receives distributions from the funds. Net realized and unrealized gains (losses) related to the beneficial interests are reported as changes in permanently restricted net assets based on explicit donor restrictions.

(7) Accounts payable – related parties

Included in accounts payable at August 31, 2006 and 2005 are \$312 and \$216, respectively, payable to the Jewish Federation relating to the reimbursement of certain operating expenses and pledges.

Included in accounts payable at August 31, 2006 and 2005 are \$456 and \$734, respectively, payable to the Gordon Jewish Community Center relating to the reimbursement of certain operating expenses.

(8) Net assets

Temporarily restricted net assets consist of the following at August 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Jewish Federation	\$ 37,500	\$ -
Wall of Remembrance Fund	105	-
United Way designations	-	4,179
Micah Children's Tzedekah	-	382
Needy Family Assistance	<u>-</u>	<u>422</u>
	\$ <u>37,605</u>	\$ <u>4,983</u>

Notes to Financial Statements, Continued

August 31, 2006 and 2005

Permanently restricted net assets are required by donors to be held in perpetuity with the income from such assets expendable to support certain programs. Permanently restricted net assets consist of the following at August 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Earl Kirshner Adoption Free Loan Fund	\$ 20,080	\$ 20,050
Al Beit Memorial Fund	11,185	10,656
Elise Steiner Designated Fund	<u>10,570</u>	<u>9,981</u>
	\$ <u>41,835</u>	\$ <u>40,687</u>

(9) 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% of covered wages. Pension expense for matching contributions amounted to \$10,488 in 2006 and \$8,267 in 2005.

(10) 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.