

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

FINANCIAL STATEMENTS

August 31, 2008 and 2007

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

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FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

Independent Auditor's Report

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

We have audited the accompanying statement of financial position of Jewish Family Service of Nashville and Middle Tennessee, Inc. (the "Organization") as of August 31, 2008 and the related statements of activities, cash flows and functional expenses for the year 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 audit. The financial statements of Jewish Family Service of Nashville and Middle Tennessee, Inc. as of August 31, 2007, were audited by other auditors whose report dated December 7, 2007 expressed an unqualified opinion on those statements.

We conducted our audit 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2008 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

Nashville, Tennessee
December 9, 2008

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 7,869	\$ 2,827
Grants receivable	2,013	6,587
United Way designations receivable	3,683	3,515
Accounts receivable, less allowance for doubtful accounts of \$2,000 in 2008 and 2007	8,133	5,757
Pledges receivable	5,275	2,450
Other receivables	443	222
Prepaid expenses	2,697	2,199
Investments	129,595	148,763
Property and equipment, net	1,522	557
Beneficial interests in trusts controlled by others	53,788	32,706
Total assets	<u>\$ 215,018</u>	<u>\$ 205,583</u>
Liabilities and Net Assets		
Accounts payable	<u>\$ 16,432</u>	<u>\$ 16,103</u>
Total liabilities	<u>16,432</u>	<u>16,103</u>
Net assets:		
Unrestricted	123,882	133,037
Temporarily restricted	791	3,419
Permanently restricted	73,913	53,024
Total net assets	<u>198,586</u>	<u>189,480</u>
Total liabilities and net assets	<u>\$ 215,018</u>	<u>\$ 205,583</u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Jewish Federation	\$ 173,317	\$ -	\$ -	\$ 173,317
Fundraiser, net of expenses of \$15,788	75,724	-	-	75,724
Fees, net	51,161	-	-	51,161
Public support received directly	8,701	860	25,000	34,561
Use of donated facilities	18,480	-	-	18,480
Helping Hands grant	17,346	-	-	17,346
Other grants	14,849	-	-	14,849
Investment income	12,283	-	-	12,283
United Way	5,633	-	-	5,633
Health and wellness fair	3,503	-	-	3,503
Community Health Charities of TN	2,491	-	-	2,491
Auto donations	1,992	-	-	1,992
Combined Federal Campaign/HCA Caring	1,239	-	-	1,239
Net assets released from restrictions	3,488	(3,488)	-	-
Total support and revenue	390,207	(2,628)	25,000	412,579
Expenses:				
Program services:				
Adoption and counseling	241,494	-	-	241,494
Helping Hands	26,161	-	-	26,161
Family and community education	12,375	-	-	12,375
Total program services	280,030	-	-	280,030
Management and general	94,105	-	-	94,105
Total expenses	374,135	-	-	374,135
Change in net assets from operations	16,072	(2,628)	25,000	38,444
Net loss on investments	(25,227)	-	(4,111)	(29,338)
Change in net assets	(9,155)	(2,628)	20,889	9,106
Net assets, beginning of year	133,037	3,419	53,024	189,480
Net assets, end of year	<u>\$ 123,882</u>	<u>\$ 791</u>	<u>\$ 73,913</u>	<u>\$ 198,586</u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Jewish Federation	\$ 117,500	\$ -	\$ -	\$ 117,500
Fundraiser, net of expenses of \$10,417	68,080	-	-	68,080
Fees, net	55,125	-	-	55,125
Other grants	17,466	4,100	-	21,566
Public support received directly	7,964	955	10,168	19,087
Use of donated facilities	18,480	-	-	18,480
Helping Hands grant	17,875	-	-	17,875
Health and wellness fair	6,419	-	-	6,419
Investment income	6,236	-	-	6,236
United Way	4,843	-	-	4,843
Memorial Fund	1,248	-	-	1,248
Auto donations	1,049	-	-	1,049
Community Health Charities of TN	277	-	-	277
Combined Federal Campaign/HCA Caring	26	-	-	26
Net assets released from restrictions	39,241	(39,241)	-	-
Total support and revenue	<u>361,829</u>	<u>(34,186)</u>	<u>10,168</u>	<u>337,811</u>
Expenses:				
Program services:				
Adoption and counseling	267,579	-	-	267,579
Helping Hands	28,726	-	-	28,726
Family and community education	14,889	-	-	14,889
Total program services	<u>311,194</u>	<u>-</u>	<u>-</u>	<u>311,194</u>
Management and general	<u>72,583</u>	<u>-</u>	<u>-</u>	<u>72,583</u>
Total expenses	<u>383,777</u>	<u>-</u>	<u>-</u>	<u>383,777</u>
Change in net assets from operations	(21,948)	(34,186)	10,168	(45,966)
Net gain on investments	<u>13,675</u>	<u>-</u>	<u>1,021</u>	<u>14,696</u>
Change in net assets	(8,273)	(34,186)	11,189	(31,270)
Net assets, beginning of year	<u>141,310</u>	<u>37,605</u>	<u>41,835</u>	<u>220,750</u>
Net assets, end of year	<u>\$ 133,037</u>	<u>\$ 3,419</u>	<u>\$ 53,024</u>	<u>\$ 189,480</u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENTS OF CASH FLOWS
Years Ended August 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 9,106	\$ (31,270)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	349	254
Provision for bad debts	-	2,000
Net unrealized loss (gain) on investments	29,338	(10,197)
Permanently restricted donations received	(25,000)	(10,168)
Change in beneficial interests in trusts controlled by others	(21,082)	(10,951)
Changes in operating assets and liabilities:		
Grants receivable	4,574	(442)
United Way designations receivable	(168)	(431)
Accounts receivable	(2,376)	787
Pledges receivable	(2,825)	700
Other receivables	(221)	291
Prepaid expenses	(498)	(969)
Accounts payable	329	(1,096)
Net cash used in operating activities	<u>(8,474)</u>	<u>(61,492)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,314)	-
Purchases of investments	(114,432)	(102,136)
Proceeds from sale of investments	104,262	118,922
Net cash (used in) provided by investing activities	<u>(11,484)</u>	<u>16,786</u>
Cash flows from investing activities:		
Collection of permanently restricted donations	<u>25,000</u>	<u>10,168</u>
Increase (decrease) in cash	5,042	(34,538)
Cash at beginning of year	<u>2,827</u>	<u>37,365</u>
Cash at end of year	<u><u>\$ 7,869</u></u>	<u><u>\$ 2,827</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, 2008

	Program Services			Management and General	Total
	Adoption and Counseling	Helping Hands	Family and Community Education		
Salaries	\$ 131,586	\$ 16,982	\$ 6,886	\$ 57,865	\$ 213,319
Employee health and retirement benefits	19,886	596	1,002	4,913	26,397
Temporary/contract services	11,859	389	721	5,102	18,071
Payroll taxes	10,212	1,397	539	3,984	16,132
	<u>173,543</u>	<u>19,364</u>	<u>9,148</u>	<u>71,864</u>	<u>273,919</u>
Professional fees	20,420	1,767	869	7,128	30,184
Rent	9,760	2,222	481	6,016	18,479
Supplies	7,032	1,247	299	2,223	10,801
Conferences, conventions and meetings	8,362	941	29	477	9,809
Marketing and public relations	4,987	142	737	2,474	8,340
Specific assistance to individuals	7,772	-	-	-	7,772
Telephone	2,821	51	123	1,186	4,181
Dues	1,895	-	105	662	2,662
Postage	1,490	128	474	443	2,535
Insurance	1,583	39	76	816	2,514
Travel	1,514	254	12	361	2,141
Taxes and licenses	277	6	22	144	449
Depreciation	38	-	-	311	349
	<u>\$ 241,494</u>	<u>\$ 26,161</u>	<u>\$ 12,375</u>	<u>\$ 94,105</u>	<u>\$ 374,135</u>

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2007

	Program Services				Management and General	Total
	Adoption and Counseling	Helping Hands	Family and Community Education	Total		
Salaries	\$ 162,506	\$ 17,789	\$ 10,033	\$ 190,328	\$ 46,227	\$ 236,555
Employee health and retirement benefits	21,213	783	1,233	23,229	3,987	27,216
Temporary/contract services	13,225	446	638	14,309	4,357	18,666
Payroll taxes	12,350	1,347	774	14,471	3,521	17,992
	209,294	20,365	12,678	242,337	58,092	300,429
Rent	10,198	2,375	630	13,203	5,276	18,479
Professional fees	6,038	3,662	396	10,096	1,727	11,823
Conferences, conventions and meetings	9,045	822	134	10,001	1,027	11,028
Specific assistance to individuals	8,567	-	-	8,567	-	8,567
Supplies	5,386	822	296	6,504	1,594	8,098
Marketing and public relations	5,566	77	156	5,799	1,252	7,051
Telephone	3,308	112	209	3,629	1,090	4,719
Dues	1,860	-	138	1,998	609	2,607
Travel	1,732	290	6	2,028	519	2,547
Insurance	1,678	60	91	1,829	548	2,377
Provision for bad debt	2,000	-	-	2,000	-	2,000
Postage	1,257	73	49	1,379	247	1,626
Equipment contract	1,100	36	70	1,206	412	1,618
Taxes and licenses	373	13	26	412	142	554
Depreciation	177	19	10	206	48	254
	\$ 267,579	\$ 28,726	\$ 14,889	\$ 311,194	\$ 72,583	\$ 383,777

See accompanying notes to financial statements.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2008 and 2007

NOTE 1 – ORGANIZATION AND PURPOSE

The 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.

NOTE 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:

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Jewish Family Service and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Jewish Family Service and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Jewish Family Service.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, Jewish Family Service reports the support as unrestricted.

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

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
August 31, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Credit Policy

Accounts receivable for counseling services are uncollateralized client obligations due at the time the service is provided. 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.

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 statements of financial position. The changes in unrealized gains and losses are recognized in the statements of activities.

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 unrestricted or temporarily restricted net assets unless the donor specifies that such gains and 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.

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.

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, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program and Supportive Services

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

Adoption and Counseling – provides adoption services and on-going individual group, family and marital counseling using various therapeutic approaches. Emergency financial assistance, and case management services are also provided.

Helping Hands – supports 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.

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 programs and supportive services based on time records and analyses by management.

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.

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

Use of Estimates

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.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
August 31, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the 2007 financial statements in order for them to conform to the 2008 presentation. The reclassifications have no effect on net assets or change in net assets as previously reported.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable consist of the following as at August 31:

	<u>2008</u>	<u>2007</u>
Jewish Federation – Helping Hands	\$ 1,725	\$ 4,281
Jewish Family Service singles grant	288	-
Endowment Fund receivable	-	1,248
Adoption training grant	-	1,058
	<u>\$ 2,013</u>	<u>\$ 6,587</u>

NOTE 4 – INVESTMENTS

	<u>2008</u>	<u>2007</u>
Mutual Funds:		
American Funds AMECX	\$ 36,728	\$ 45,163
American Funds AWSHX	22,190	27,564
Money Market Funds:		
Robert W. Baird & Co., Inc.	17,850	12,114
Separately invested – Condo proceeds:		
Money Market Funds:		
Robert W. Baird & Co., Inc.	2,917	2,401
Mutual Funds:		
American Funds AMECX	38,050	46,789
American Funds AWSHX	<u>11,860</u>	<u>14,732</u>
	<u>\$ 129,595</u>	<u>\$ 148,763</u>

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
August 31, 2008 and 2007

NOTE 4 – INVESTMENTS (Continued)

The following schedule summarizes the investment income in the statements of activities for 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Investment income	\$ <u>12,283</u>	\$ <u>6,236</u>
Unrealized (loss) gain on investments	\$ (29,338)	\$ 10,197
Realized (loss) gain on investments	<u>-</u>	<u>4,499</u>
Net (loss) gain on investments	\$ <u>(29,338)</u>	\$ <u>14,696</u>

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

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31:

	<u>2008</u>	<u>2007</u>
Furniture, equipment and software	\$ 30,640	\$ 29,326
Less accumulated depreciation	<u>(29,118)</u>	<u>(28,769)</u>
	\$ <u>1,522</u>	\$ <u>557</u>

NOTE 6 – BENEFICIAL INTERESTS IN TRUSTS CONTROLLED BY OTHERS

The Jewish Foundation of the Jewish Federation holds the Al Beit Memorial Fund, the Elise Steiner Fund, the Kopald Berkehl Professional Education Fund, and the Jeffrey and Donna Eskind Family 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.

NOTE 7 – ACCOUNTS PAYABLE – RELATED PARTIES

Included in accounts payable at August 31, 2008 and 2007 are \$320 and \$82, respectively, payable to the Gordon Jewish Community Center relating to the reimbursement of certain operating expenses.

JEWISH FAMILY SERVICE OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
August 31, 2008 and 2007

NOTE 8 – NET ASSETS

Temporarily restricted net assets consist of the following at August 31:

	<u>2008</u>	<u>2007</u>
American Psychiatric Foundation Grant	\$ -	\$ 3,300
Wall of Remembrance Fund	105	105
Helping Hands Fund	14	14
Needy Family Assistance Fund	<u>672</u>	<u>-</u>
	<u>\$ 791</u>	<u>\$ 3,419</u>

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:

	<u>2008</u>	<u>2007</u>
Jeffrey and Donna Eskind Family Fund	\$ 22,967	\$ -
Earl Kirshner Adoption Free Loan Fund	20,318	20,318
Al Beit Memorial Fund	10,581	11,441
Elise Steiner Designated Fund	10,030	10,846
Kopald Berkell Professionals Education Fund	<u>10,017</u>	<u>10,419</u>
	<u>\$ 73,913</u>	<u>\$ 53,024</u>

NOTE 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 \$8,095 in 2008 and \$9,216 in 2007.

NOTE 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 OF NASHVILLE AND MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
August 31, 2008 and 2007

NOTE 10 – CONCENTRATIONS OF CREDIT RISK (Continued)

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.